Turmoil may snuff out Social Security privatization

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TRIAD - The current focus of the political fallout from the turmoil, collapses and probable record bailout on Wall Street revolves around the presidential race and Nov. 4 general election.

But one long-term impact could involve squashing proposals to privatize parts of Social Security, political analysts say.

Following his re-election four years ago, President Bush and the White House made a privatization plan for Social Security reform a major initiative for the president's second term in office.

The discussion about privatizing Social Security shifted to the back burner in Washington even before the current financial industry turmoil, said Rep. Mel Watt, D-12th.

The crisis supports "the rationale for maintaining Social Security benefits in safer vehicles than the stock market. This just adds another compelling rationale for what we've been saying all along," said Watt, chairman of the House Financial Services Oversight and Investigations Subcommittee.

The faith of the public and politicians in financial industry decision-makers has been compromised by the crisis, Watt said.

The other congressman serving High Point, Rep. Howard Coble, R-6th, said he hopes the Wall Street turmoil doesn't end debate about Social Security reform.

"I still think the proposal was a good one - to give beneficiaries the option, and I don't think it should be mandatory, to invest a portion. We should not abandon that proposal," Coble said.

Advocates for privatizing Social Security probably will back away from the issue for some time because of the fallout from the Wall Street crisis, said Gerald Fox, associate professor of economics at High Point University.

"They've got to work out the problem of how to provide safety if there's a recurring financial crisis," said Fox, who has an expertise in the relation between economics and politics.

The long-term stability of Social Security does need to be addressed by the president and Congress as the population lives longer and the current funding system is strained, said Donald MacThompson, professor of political science at Winston-Salem State University. But politically, the revelations about horrendous judgment and possible corruption by Wall Street firms make it highly unlikely that privatization will get a hearing soon, MacThompson said.

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