

**Due:** March 31

Issue: Should Social Security Be Privatized?

*Briefly state the main idea that forms the basis of this argument:*

Because of demographic factors Social Security is becoming more and more a political issue. Entitlement programs such as Social Security are often referred to as “uncontrollable spending” due to their mandatory character. And with the current legislature structure of revenues and benefits, the Social Security system will be unable to meet its financial obligations at some future date. Even though today’s revenues are greater than the actual outpayments, forecasts predict a depletion of the accumulated assets in the trust fund by 2036, and a sharp cut in benefit payments. Therefore, it is clear that the current pay-as-you-go system needs to be reformed. Alternatives such as a pre-funded system or a completely privatization of Social Security are in discussion and evaluation.

*List 2 or 3 facts that the author uses to support the idea on the FOR or PRO side:*

Tanner supports a private retirement system to replace Social Security with a couple of arguments: He states that Social Security has been a failure as an antipoverty program even though it may redistribute money from the wealthy to the poor. Moreover, he contends that Social Security has been a failure as a retirement program because it does not provide an adequate retirement income or yield the best possible return on an individual’s money. Furthermore, he asserts that Social Security is fundamentally unfair, and is he is concerned with both intergenerational and intergenerational transfers. As a final point, Tanner comes up with the argument that Social Security reduces the dignity of older Americans because of the dependence from government and the political process for their retirement income.

*List 2 or 3 facts that the author uses to challenge the idea on the AGAINST or NEGATIVE side:*

Hill, arguing against the privatization of Social Security, brings up several points. The major hidden flaws of Social Security include the enormous transition from a “pay-as-you-go” system to a pre-funded system, the costs associated with purchasing equivalent life and disability coverage, the existing market risk, and higher administrative costs. Moreover, income inequality would be further exacerbated in a privatized system because women investors, who usually have fewer resources, would get a lower yield on their investments as they would avoid risk.

*List any propaganda, bias or faulty reasoning that you feel exists in either of the articles on this issue?*

While Tanner relies on stock market returns from the last 75 years and claims that this time series showed enough evidence that private investment pays off, Hill's argumentation lacks a solution in looking for ideas how to make the transition process between the pay-as-you-go and any other system best. Moreover, neither of the authors discusses the benefits of the funding principle system. By saying that the transition costs for switching to a new system are too high, Hill postponed makes it too easy and postponed the problem into the future. Instead of arguing and throwing (different) numbers at each other both parties should be really concerned with the current situation and work on a solution that improves Social Security in the long-run.

*Which side of the argument seems to make most sense to you and why?*

It's clear that an instant switch from the current system to a fund principle approach is not going to work. However, this solution could and probably will solve the problems concerning Social Security. There should be some tax incentives for those who are willing to invest private money voluntarily towards their retirement. This would make it easier to eventually end up with a 100% pre-funded and sustained system. The funding principle system incorporates many advantages: first of all, Americans are independent from the political process, can make their own decisions where, what amount, and how they want to invest in the capital market, and are sure to receive the saved amount by the age of retirement.