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CAMPAIGN '08

McCain takes a Social Security risk

The Republican seems willing to consider privatization -- and Democrats aim to use that to sway senior voters.

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WASHINGTON — It was a spectacular flop: a president making dozens of fruitless trips around the country to build support for a plan his own party's leadership refused to accept.

But President Bush's failed push to privatize Social Security has not deterred John McCain from putting forward the same idea -- and from risking a similar political disaster.

McCain, the presumed Republican presidential nominee, spoke several times last week about changing how the popular retirement program is funded, at one point calling it a "disgrace" that younger workers are forced to pay for a plan that, in his view, is unlikely to benefit them when they retire.

Democrats are gearing up to turn McCain's stand on Social Security, and his willingness to consider a privatization plan, into a key campaign issue. They say changing the program in that way would undermine retirees' benefits, and they hope to use the issue to harm the Arizona senator's support among a set of voters who tilt toward him -- seniors.

On Tuesday, a coalition of Democratic strategists, labor unions and liberal activist groups that helped defeat Bush's efforts in 2005 plans to launch a similar campaign. They intend to target McCain and dozens of GOP congressional candidates who have supported proposals to allow workers to divert some of their payroll taxes out of the Social Security system and into private investment accounts.

The groups, coordinating with the Democratic National Committee and strategists for the party's presumed presidential nominee, Illinois Sen. Barack Obama, will focus on organizing seniors -- a key voting bloc in Florida and several other battleground states and one that has been courted heavily by McCain.

"McCain ought to realize that Bush got burned terribly on this, and nothing's changed," said Edward F. Coyle, executive director of one group, Alliance for Retired Americans.

This week, the coalition -- which began laying its plans Friday in a conference call arranged by the DNC -- will start demonstrating at McCain's events and offices, particularly in key states with many seniors. The group has ordered thousands of signs with "Hands Off My Social Security" on one side and "My Social Security Is Not a Disgrace" on the other.

Although the party can work with outside groups on grass-roots organizing, campaign laws prohibit those groups from coordinating with the party on paid advertising. Some organization officials said Sunday that they anticipated acting on their own to pour money into TV and radio spots targeting McCain and other Republicans on the issue.

"This could well be McCain's Achilles' heel with regard to large numbers of people who are already Social Security retirees and the baby boomer generation, which is getting ready to retire," said Charles M. Loveless, legislation director for the American Federation of State, County and Municipal Employees, which helped fund the 2005 effort and expects to spend millions this year.

McCain's remarks on Social Security came during a week that showcased his ideas for the economy. When asked by a young woman at a Denver town hall meeting last Monday how to make Social Security viable for her generation, he said she could not rely on the system "unless we fix it."

"We are paying present-day retirees with the taxes paid by young workers in America today," he said. "And that's a disgrace. It's an absolute disgrace, and it's got to be fixed."

His comments seemed to suggest that McCain favored a new funding mechanism for Social Security benefits, such as private accounts. Later, on CNN, McCain seemed to fully embrace the idea of private accounts. "I want young workers to be able to, if they choose, to take part of their own money, which is their taxes, and put it in an account which has their name on it," he said. Participation would be a "voluntary thing," he said, and "would not affect any present-day retirees or the system as necessary."

The remarks drew fire from Democrats, who accused McCain of failing to understand a system that since its creation in the 1930s has relied on payroll taxes from current workers to fund benefits for current retirees. Some supporters of this system say that allowing younger workers to divert money into private accounts would reduce the tax money needed to provide benefits for older workers once they retired.

Considering that McCain has been trying to demonstrate his understanding of Americans' economic woes, his timing was odd -- endorsing a new reliance on the stock market in the same week that the Dow Jones industrial average dipped to its lowest point in two years.

His aides said Democrats were misrepresenting his statements; his only plan for fixing Social Security, they said, is forging a bipartisan compromise that considers all options.

Still, McCain did not back down, saying later in the week that "it's terrible to ask people to pay into a system that they won't receive benefits from."

At issue is how to shore up the finances of the Social Security system, which will come under pressure as more than 70 million baby boomers -- the generation born between 1946 and 1964 -- enter retirement and receive their benefits.

A government report in March painted a gloomy picture of the program's future, estimating that its costs will surpass payroll tax revenue in 2017 -- forcing the system to rely on a trust fund that, the report said, will go broke in 2041.

After that, workers' payroll taxes would cover only a fraction of the benefits promised to retirees.

Most experts agree that fixing the system will require benefit reductions, tax increases, a rise in the retirement age, or some combination of the three. Obama, who opposes private accounts, has proposed raising taxes on people who earn more than \$250,000 a year. Workers and their employers now split a 12.4% payroll tax on earnings up to \$102,000. Obama's plan would lift that cap, creating what he calls a "doughnut hole" to protect people who make less than \$250,000 from having their payroll taxes go up. Critics say Obama's plan alone would not cover the shortfall.

McCain's position has been somewhat fuzzy.

In 2005, he traveled with Bush to promote the administration's overhaul plan, including the controversial private accounts. In one appearance, he tried to mollify AARP, the powerful seniors' lobby that opposed such accounts, pleading for the group to "come to the table with us."

At the time, GOP strategists viewed the plan as a way to woo a savvy and growing "investor class" of voters, even if it cost the party some seniors' support.

But now his campaign website says McCain supports "supplementing" the current Social Security system with private accounts -- suggesting that he may not now support letting workers divert their taxes in a way that would reduce revenue for the system.

"It isn't very coherent right now, what he's saying," said Michael Tanner, a Social Security analyst at the libertarian Cato Institute and a leading proponent of private accounts.

McCain and his aides say the lack of specificity is intentional -- the result of lessons from 2005, when Bush tried to sell a skeptical public on private accounts.

"There's a really careful recognition of the history," said Douglas Holtz-Eakin, McCain's economic advisor.

"The history on Social Security has been if you put out specific proposals or preconditions, you polarize the debate and the deal doesn't get done."

Democrats said they intended to paint McCain as an enemy of Social Security.

Several strategists interviewed Sunday were vague about their plans, saying that the organization was still being put together.

Loveless, of the public workers' union, said his group would probably invest at least \$2 million in the campaign and would focus its grass-roots mobilization efforts in Florida because of its large number of retirees.

Another labor-backed group, Americans United for Change, is planning a protest in the retiree hub of Las Vegas and may pay for recorded phone calls targeting senior voters in battleground states. The Democratic Congressional Campaign Committee plans to weigh in as well, having compiled target lists of incumbent Republicans who backed Bush's privatization plan.

Organizers said they would try to target McCain as much as possible, even staging a protest outside his vacation home in Sedona, Ariz.

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