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21st-Century War Bonds

Can private Social Security accounts help save New York?

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The new Republican government in Washington will find it easier to accomplish great things if it can draw new constituencies to its agenda. Here's my suggestion for a perfect place to start. It offers Congress and the President a chance to solve two serious public problems in a single blow.

Problem No. 1 is the economic damage wrought by the 9/11 terror attacks. New York City in particular was zapped--to the tune of as much as \$95 billion in lost wealth, 146,000 lost jobs and a \$6 billion deficit looming for 2003, according to the city comptroller. For obvious reasons, the politicians most worried about this are liberal Democrats like Hillary Clinton and Rep. Charles Rangel of Manhattan, the top Democrat on the House Ways and Means Committee. But there are stakes in this for all Americans: After all, New York was damaged in an act of war. And if the city falls into a financial crisis, as is now distinctly possible, that could drag down the entire national economy.

Problem No. 2 is the looming bankruptcy of our Social Security system. In little more than a dozen years, Social Security will start to gush red ink--to the tune of tens, and then hundreds, of billions of dollars. Without bold reform, we'll either have to hike payroll taxes by 50% or cut benefits by over a quarter. The sooner we get started on a fix, the less painful the financial math will be.

A very different set of politicians is pushing for Social Security reform. In the last election it was Republicans like Elizabeth Dole, Jim Talent, Norm Coleman, John Sununu and Lindsey Graham

who promised new personal investment accounts that would let future recipients tap the power of long-term investing. Democrats kicked and screamed.

Of course, the Big Daddy of advocates for personal investment accounts within Social Security is President Bush. He ran prominently on that issue in 2000, and one of his early acts as President was to set up a commission under Pat Moynihan and the current CEO of AOL Time Warner to promote the idea further. Mr. Bush would love to update Social Security as his great legacy to American social history.

Which leads directly to my magic plan: The possibility of personal Social Security accounts mobilizes Republicans. New York's urban financial crunch motivates Democrats. So why don't we connect those two dots?

Keep in mind that the locomotive pulling the entire economy in New York (and many other big cities) is the investment industry. As former New York mayor Ed Koch told me a few months ago, "Wall Street is to New York City what steel was to Pittsburgh." The financial-services sector is the largest employer in the New York metro area, and it has accounted for more than half of the city's increase in jobs, earnings and tax revenues in recent years, according to the office of Democratic state comptroller Carl McCall.

Since about 40% of all American investment activity takes place in New York City, I suggest the best thing politicians could do to put terror-damaged New York back on its financial feet would be to fire up our investment economy. Specifically, Mrs. Clinton, Mr. Rangel and other liberals should stop kicking and screaming and embrace personal Social Security accounts.

Do the math. It's estimated that, given a chance, Americans would open up 50 million new investment accounts with part of their Social Security withholdings. Assuming they rechannel \$1,000 a year into such accounts and earn the historical average

for stock and bond funds, Americans will build up a collective nest egg of more than \$700 billion within a decade.

That will be very good for everyday citizens seeking a piece of the American dream of long-term wealth. It will also be very good for the Wall Street firms who manage our private savings-- guaranteeing a healthy private sector in New York City. Helping Manhattan recover from its al Qaeda wounds that way surely beats a charity bailout.

Offer millions of everyday workers a chance to become capitalists for the first time in their lives, and you'll thrill Republicans. Give a big boost to the urban economy in New York (as well as Boston, Philadelphia, San Francisco and other cities dependent on the financial services industry) and you'll please Democrats.

Here is a chance for liberals and conservatives in Washington to join together next year and kill two big, bad birds with the one mighty stone of Social Security reform. What're we waiting for?

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