letters



Seeing the Future (May/June 2005)

I enjoyed Kenneth Apfel's article "Seeing the Future" in your May/June issue of THE ALCALDE, which made concise, well-constructed arguments against privatization, for future benefit cuts, and for future FICA tax rate increases. With hopes of developing a balanced perspective, I look forward to ALCALDE publishing a similarly formatted article presenting arguments for privatization, benefit level retention, and FICA tax rate stability. I wholly agree with Mr. Apfel that partisan rhetoric is a distraction and does not cultivate viable solutions. but the importance of strengthening Social Security demands that our members be legitimately informed prior to lending support or opposition to any proposed system changes. This is not a time for THE ALCALDE to be half-silent.

> Max Whiteley, BS '81 Oklahoma City

While Kenneth Apfel presented some good points, there was one item that was factually incorrect. It deals with Apfel's contention that there is a Social Security trust fund that can be utilized to help provide benefits for another 40-50 years.

This is an invalid conclusion. This trust fund is merely an accounting device that is used to keep track of the excess Social Security taxes not presently needed for benefits. This excess money is immediately passed on to the government's general fund and spent on other programs, and the government places IOUs (U.S. government bonds) in the trust fund that represents liabilities that one agency (the treasury department) owes another agency (the Social Security Administration). Thus, on the Social Security balance sheet, currently \$1.5 trillion in assets is shown, but these are balanced by corresponding liabilities in the government's general fund. Assets held by one part of the government equivalent to liabilities by another part net out to zero.

This is like you spending money from your checking account, putting IOUs of an equal amount into a lockbox, and telling yourself and your spouse that the lockbox has assets that you can use to finance your retirement because you promise to pay yourself back in the future.

But the trust fund has no real economic resources no real economic value. It contains phantom assets. There is no lockbox with cash in it that can be utilized to cover shortfalls beginning in 2018. Redeeming these IOUs (starting in 2018 or so) will require diverting funds from the government's operating budget of the future, raising taxes, raising the retirement age, and/or cutting benefits. While the Social Security issue is not a crisis, and partial privatization may not be the best way to proceed, we need to honestly face the problem that a funding shortfall will indeed occur in about 2018.

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Correction: Professor Kenneth Apfel was the first person to serve in a Cabinet-level position at the Social Security Administration after the legislation was adopted making the SSA an independent agency, but the SSA commissioner is not formally a member of the cabinet.

The Citizen-Scholar

(January/February 2005)

The scholarly replies to Professor Cherwitz's conundrums were interesting and thought-provoking. I felt that Harris and Erickson provided the most concise response with their discourse on addiction study. However, the overviews provided by Evans and Yudof merely raised larger questions. Evans advocates Thomas Jefferson's "aristocracy of virtue and talent" with a goal of "realizing Iefferson's virtuous aristocracy," yet makes no mention of virtue, that is, a particular moral excellence, in his subsequent text. Evans writes only of "talent." Yudof's stated mission is to offer our students an education "for personal success," that "nurtures them as future leaders of Texas." Our great nation was built with a strong moral compass. Our great state received a black eye because of the actions of the leaders at Enron — these men and women who carried the patina of superior university educations. A primary focus must be to nurture future leaders who are morally fit to lead.

> David Spencer Mathis, BBA '77 Houston

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