

Economics

Department Alumni Newsletter

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Bob Stonebraker, editor

New beginnings

We're in. Sunlight, *real* sunlight, streams across my desk while two plants, *real* plants, perch on my windowsill expecting to be watered. Spring breezes drift through my office, brushing occasional orphaned leaves against the window panes. Glancing up, Sutton's bell tower rises above oak trees tinged by the pink tips of pubescent buds. Windows are nice.

Not *only* windows. Bright new air-conditioned classrooms, complete with carpets, *padded* seats,

state-of-the-art technological gizmos to assist our people of wisdom on a daily basis. We hold meetings in

ignore important aspects of the controversy? Of course. Will it prompt you to think; to reconsider your opinions? *Maybe*. Replies and unsolicited articles are always welcome!

Bob Stonebraker, editor

Cinematic Sense

Life is filled with unexpected pleasures. I admit to a long-standing weakness for actress Kim
Basinger's blonde curls, curves and pouty mouth. While leisurely clicking through the local cable

How about *welfare*? Can we pin the blame for out-of-wedlock births on handouts to the poor? The argument is plausible. Welfare payments *do* make it easier for unmarried women to support themselves

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and their spouses (rich and poor alike).

elderly citizens and has enjoyed enormous popular support. Not that many years ago, the elderly were a

government IOU's -- the fund is an illusion. When the trust fund tries to redeem its bonds, Congress must either raise taxes or borrow the needed funds. Of course, Congress could always renege and not pay the promised benefits. But as the number of retirees and their political clout grows, this becomes

Congress should raise taxes and plow the monies back into education, research, and public investments.

The Proposals:

... into the middle of this box with abandon

Unfortunately, panel members proved far more adept at suggesting options than making clear recommendations. Hopelessly deadlocked, the group's final document consists of little more than three minority reports, each pointing in a different direction.

Current benefits would be reduced by 50 percent -- down to about 2/3 of the poverty line. Workers will supplement this *safety-net pension* by dumping five percent of their income each pay into a PSA. These PSA's would be managed by registered investment firms offering a smorgasbord of portfolio options for their individual clients. The PSA becomes a private pension arrangement much like current 401 (k) plans.

Upon retirement, employees would receive the skimpy safety-net benefit given to all, plus an annuity based upon the success of their PSA. The proposal reduces the role of the federal government to
... the safety-net fund and allows individuals the freedom to invest the other monies as they see fit

Who knows. All three plans are complex and controversial; none are easily explained through commercial sound bites to the electorate. Don't hold your breath. Given that Congress tends to dodge

complex and controversial issues as long as possible, quick action is unlikely.

Most important, the Federal Reserve's decision to increase economic growth is the only