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Mr. President, Let's Share the Wealth

President Bush said he was open to other people's ideas on how to fix Social Security, so I hope he'll listen to mine.

My idea starts with a blunt political observation. Personal accounts — as they are currently envisioned — are going to be hard to pass. Every important Democrat opposes them. Jim McCrery, the Republican who is chairman of the House Social Security subcommittee, says the president's plan will have to fundamentally change if it is to have a chance.

So my idea is this: If the president's current version of personal accounts stalls, he should consider another version — one that is more likely to win broad support, and that achieves all the goals of an "ownership society."

The personal accounts I'm thinking of would be inspired by a proposal called KidSave, which was floating around in the late 1990's. KidSave was championed by Bob Kerrey when he was a Democratic senator from Nebraska, but in its different iterations it attracted support from a range of Democrats (Lieberman, Moynihan and Breaux) and Republicans (Gregg, Grassley and Santorum).

Under one version of KidSave, the government would open tax-deferred savings accounts for each American child, making a $1,000 deposit at birth, and $500 deposits in each of the next five years. That money could be invested in a limited number of mutual funds, but it couldn't be withdrawn until retirement.

Accounts to create a nation of capitalists.

Over decades, it would grow and grow, thanks to the wonders of compound interest, so that by the time workers retired, they would each have a substantial nest egg, over $100,000, waiting for them.

The KidSave idea was an early venture in what has become a broad intellectual movement that goes by an infelicitous name: asset-based welfare.

The idea behind asset-based welfare is that we are living in the midst of a social revolution. It used to be that only the rich owned financial assets like stocks. But over the last 20 years, the number of American households with money invested in the stock market has more than tripled.

But people in the bottom half of the income scale don't get to join in to take advantage of compound interest. They don't get a share of the growing national economy. They don't get the psychological benefits of ownership.

All around the world, diverse writers are trying to spread the benefits of asset ownership. The Peruvian economist Hernando de Soto would like to help squatters get legal ownership of the homes they've built. In Britain, Tony Blair has created accounts like the ones proposed in KidSave. In this country, there are proposals for education and training accounts.

The idea is that just as the Homestead Act turned people into pioneers, we would turn more people into capitalists if we distributed capital more broadly. We would encourage savings. We would increase social mobility, ameliorate the wealth gap between rich and poor, and give people more control over their own lives.

The Social Security problem is a chance to enact this kind of thing on a decisive scale, with the KidSave proposal serving as a framework for a new vision of personal accounts.

We could start by indexing Social Security benefits to prices, not wages, so the system wouldn't go broke. Then we could give everybody under a certain age KidSave accounts. This money could either supplement the reduced Social Security benefits, or individuals could divert some of their payroll taxes into their KidSave accounts, trading guaranteed benefits for more ownership.

We'd have to take care of today's 20-somethings, who are already too old to benefit from the new accounts, but this proposal would lead to less red ink than the president's current plan. And let me commit an act of heresy: it would be smart for Republicans to forgo making the Bush tax cuts permanent in exchange for these kinds of accounts. The Bush cuts are going to be repealed by the next Democratic president anyway, but these accounts, once created, would be forever.

They would be the first step in a broader ownership agenda. They would pave the way for education accounts and expanded medical savings accounts. They might pave the way for other asset-based programs designed to give young people a better start in life, not just secure their retirement. They would cut across left-right polarities and prove an irresistible political force.

Even in this age of political deadlock, I can't believe that too many would be against a plan to give savings accounts to poor kids. □

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