

MEMO# 7933

June 5, 1996

ICI PUBLISHES SECOND PAPER ON SOCIAL SECURITY REFORM

1 In April, 1996, the Institute published the remarks of Stanford economist John B. Shoven. See Institute Memorandum to Pension Committee No. 14-96, dated April 26, 1996. June 5, 1996 TO: PENSION COMMITTEE No. 23-96 SOCIAL SECURITY TASK FORCE RE: ICI PUBLISHES SECOND PAPER ON SOCIAL SECURITY REFORM

The Institute has published a second paper commenting on the Social Security reform debate.¹ The paper, written by Professor Lawrence J. White of the Stern School of Business at New York University, examines the proposal that the federal government invest a portion of the Social Security Trust Fund assets in the equities markets. It appears likely that such a proposal will be one of three proposals anticipated in a final report from the Social Security Advisory Council, which is considering how to address the Social Security programs long-term funding problems. Professor White identifies some of the difficult issues raised by the proposition that the Trust Funds be invested in the private securities markets, including who would bear the risk related to the investments, what political influence might be exercised in the choice of investments, and the impact of governmental ownership of a substantial amount of stock in a number of large U.S. corporations. A copy of the paper is attached. We will keep you informed of developments. Russell G. Galer Assistant Counsel - Pension Attachment

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