**FROM THE WALL STREET-JOURNAL**

WHITE HOUSE WATCH: Social Security Lockbox Found

**By ALEX KETO**
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A Dow Jones Newswires Analysis

WASHINGTON -- In 2000, Vice President Al Gore based his failed bid of winning the U.S. presidency on the idea of creating a "lockbox" for Social Security funds.

While Gore's lockbox concept was never fully explained, President George W. Bush on Tuesday showed reporters what amounts to Social Security's real lockbox and noted it was full of nothing but IOUs.

In a bit of risky political theater, Bush flew with reporters to Parkersburg, W.Va., and toured the federal Bureau of Public Debt.

There he led reporters to an off-white, "FireKing" model, four-drawer filing cabinet where the government stores the accumulated paper bonds that represent the Social Security payroll tax surpluses that have been spent on other government activities over the years.

Treasury spokesman Peter Hollenback said the filing cabinet, set between two potted plants, holds the $1.7 trillion in special Treasury bonds that have been issued to account for the surpluses. In all, there are about 220 pieces of paper involved, raising questions whether a four-drawer cabinet was even needed, or a smaller box could have been used.

Many Americans believe the government takes the payroll taxes, "invests it, and then pays it back to them upon retirement," Bush said. "It doesn't work that way."

Later that day, the president again used this information as ammunition to argue that Social Security needs to be revamped before the accumulated future obligations overwhelm the economy.

"There is no 'trust fund,' just IOUs that I saw firsthand, that future generations will pay for either in higher taxes, or reduced benefits, or cuts to other critical government programs," Bush said.

However, the president's move to highlight the federal government's indebtedness was a double-edged sword, which Democrats didn't hesitate to wield.

Sen. Jon **Corzine** , D-N.J., said he was glad the president pointed out the $1.7 trillion in future obligations, because he said Bush's plan to offer personal savings accounts will add another $3.3 trillion to that figure.

"I am almost baffled by the president's presentation," **Corzine** said because it "accentuates" the risks associated with personal savings accounts.

Bill Halter, a former Social Security commissioner, pointed out that in 2000, just before Bush took office, the country was on course to run a significant surplus, which could have been used to pay down the national debt. If this had happened, Halter argued, the country wouldn't be facing a Social Security crisis because it could have borrowed the money needed to meet future obligations.

On top of this, **Corzine** accused Bush of trying to raise doubts about the credit worthiness of the federal government by implying it could welch on its Social Security obligations.

"If that were taken seriously on Wall Street, that would be a very real concern to investors," said the former chairman and chief executive of Goldman Sachs.

"U.S. Treasury securities have the ability to be paid under any circumstances based on the government's ability to print money," **Corzine** added.

Rather than trying to create "uncertainties" within the public, **Corzine** said Bush ought to spend his time trying to get a grip on fiscal policy.

In fact, Bush went out of his way to try to insulate himself after his visit to the Bureau of Public Debt that he has been profligate with the public's money.

Following a meeting with his cabinet, Bush talked up the issue of fiscal responsibility.

"It's important we get a budget, a budget which will show the American people that we will spend their money wisely; a budget that shows that we know how to set priorities - winning the war on terror, protecting our homeland; a budget that says we can cut the deficit in half in five years; and a budget that will encourage economic growth and vitality," Bush said.

"I appreciate the fact that it looks like that we're going to get a solid cap on discretionary spending, one that we agree with," Bush added.

While the president picked up the cudgels once again on Social Security, members of both parties on Capitol Hill said Bush hasn't shown the political muscle needed to land strong blows on the issue.

"If he doesn't raise the issue to the point of your intensity and it comes from more people, I don't know whether we are going to be able to do anything in Congress," Sen. Charles Grassley, R-Iowa, told a questioner at the Tax Executives Institute.

Grassley added he didn't know at this point whether Bush would succeed in moving Social Security through Congress.

**Corzine** also said he doubted Bush was getting anywhere with his proposals, particularly with the idea of personal savings accounts.

"I don't think this thing has ripened for the president or those supportive of the privatization scheme," **Corzine** said.

"I am reading these polls that show the more people have heard about this, the more they don't like it," he added.

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**April** 5, 2005, Tuesday, BC cycle

**SECTION:** State and Regional

**LENGTH:** 706 words

**HEADLINE:** Number of NJ residents displaced by floods reaches nearly 6,000

**BYLINE:** By ROSA CIRIANNI, Associated Press Writer

**DATELINE:** TRENTON, N.J.

**BODY:**
Nearly 6,000 state residents have fled their homes because of flooding that started over the weekend and peaked Monday night as rivers crested, state officials said Tuesday.

In all, 3,200 homes were damaged and 200 people remained in 12 Red Cross shelters Tuesday, the governor's office said. The majority of evacuees were staying with friends and relatives.

Only 50 of the residents displaced in the flooding - which hit hardest in Mercer, Hunterdon and Warren counties - were able to return to homes damaged after snowmelt and heavy rains caused rivers to overflow their banks.

No deaths or serious injuries have been reported in New Jersey.

Meanwhile, many state employees remained off the job in Trenton, where the Delaware River flooded roads and the Statehouse garage. Workers were expected to return to their posts Wednesday.

Acting Gov. Richard J. Codey accompanied Mayor Douglas Palmer on a tour of one area hit by its worst flooding in 50 years, the city's Island neighborhood.

"Flood victims throughout the state have shown tremendous resilience over the past several days," Codey said in a statement. "Residents of the Island Neighborhood are demonstrating exceptional strength even as they confront the havoc brought on by the second major flood in less than a year."

"Rebuilding once is tough enough, but twice is more burden than anyone should have to bear," he said.

Officials said they expected to have information within the next 10 days on whether federal money will be sent to help repair the damages.

Codey has estimated that property damage approaches $30 million, about the same amount caused by remnants of Hurricane Ivan that swept through the state in

September.

"Financial help, that's the main thing we really need," said Antonio Barnett, 27, whose Trenton apartment flooded.

Barnett opted to stay in a hotel instead of a Red Cross shelter set up at a nearby high school. "There's no type of privacy there. You can't do what you're accustomed to doing," he said, while eating a sandwich served by The Salvation Army.

Red Cross volunteers and workers planned to make their way to water-logged areas to measure damages and hand out information and cleaning kits that will include a bucket, mop, scrub brush, gloves, bleach and other items to help residents disinfect homes. Some will also get gift cards to buy food and clothing.

"Our hearts are going out to people who are under water," said Carol Yelverton, spokeswoman for the American Red Cross Northeast services, which covers eight states from Maine to Pennsylvania.

The group set up 50 shelters over the weekend in New Jersey, Pennsylvania and upstate New York to help flood victims.

U.S. Sens. Jon **Corzine** and Frank Lautenberg and U.S. Rep. Chris Smith wrote letters to President Bush on Monday requesting the flooded regions be declared federal disaster areas, which would make available federal benefits, including low-interest loans, for residents and business owners.

Nonessential state workers were again barred Tuesday from Trenton because of water-covered highways and a Statehouse parking garage where the water-level hit 8 feet, said Kelley Heck, a spokeswoman for Codey.

"It's basically the same exact situation as yesterday," she said.

To get the water out, crews on Tuesday set up machines that began pumping out 1,600 gallons per hour. The garage was to remain closed Wednesday and workers were being asked to use public transportation.

"The river is still at flood stage so until the river goes down it's a very slow moving process," Heck said. "We're at the river's mercy in that sense."

Despite the flooding, the National Weather Service estimated that New Jersey received a total of only 2 to 4 inches over the weekend. But because the water levels were already high from earlier rains and the snowmelt from New York, flooding occurred.

New Jersey is expected to get more rain Thursday night and into Friday morning.

"We're not looking for the major amounts that we had. If we get the half-inch to an inch, it shouldn't cause any flooding. But, it may slow the recession of the rivers," said Walt Nickelsberg, hydrologist for the National Weather Service station in Mt. Holly.

**GRAPHIC:** AP Photos NJBP101-104

**LOAD-DATE:** April 6, 2005