

Battle lines drawn against Social Security privatization

by Marianna Wertz and Richard Freeman

Just weeks before the Nov. 5 election, both sides in the debate over the privatization of Social Security called press conferences in Washington, D.C., to set forth their agendas for the incoming administration and Congress. On Oct. 15, the National Association of Manufacturers, representing the banking elite, Wall Street, and such leading mouthpieces for privatization as the Cato Institute and the Heritage Foundation, launched what they called a "national campaign calling for enactment of Social Security reform and a schedule for its implementation before the end of the 106th Congress, as a key focus of its agenda to promote higher economic growth." (Calling their plan "reform" is like calling murder "assisted suicide," as we shall see.)

Two days later, a press conference jointly sponsored by the AFL-CIO and the Campaign for America's Future blasted the proposed "privatization," with CAF spokesman, former U.S. Sen. Howard Metzenbaum (D-Ohio), calling it "an insidious effort of the investment banking community to get their hands on the funds. To say that privatizing will be helpful brings to mind Orange County," Metzenbaum said. Orange County, California went bankrupt last year as a result of misinvestment of public funds in derivatives swindles. Metzenbaum urged Americans to "speak out now before Clinton takes a position."

Under the various plans to privatize Social Security—which were better called "piratization"—already drafted into legislation and awaiting the return of the Congress in January, the annual Social Security tax, or its equivalent, will be diverted into individual worker "private retirement accounts" (PRAs), to be managed by Wall Street sharks. *EIR* estimates that the diverted flows could total as much as \$9-10 trillion over the next 15 years (see *EIR*, Oct. 11, 1996, "The Plan to Privatize Social Security: A \$10 Trillion Bankers' Rip-Off"). The financial sharks see the funds as one of the last sources of revenue to shore up the collapsing worldwide financial bubble. They also stand to make as much as \$200 billion from fees and use of the money.

But when the markets blow, and tens of millions of elderly need the money, it won't be there.

Dole and Clinton have both refused to be pinned down on the issue prior to the election, for obvious, pragmatic reasons: The vote of elderly Americans is key to determining who will be elected. During the second debate, on Oct. 16 in San Diego, both candidates avoided a direct answer by calling for a bipar-

tisan commission to study the problem and come up with a solution. "Take it out of politics!" both candidates screamed.

The American Association of Retired Persons (AARP), the lead lobbying organization for the nation's senior citizens, tried, unsuccessfully, to pin the two down in a survey printed in the October 1996 *AARP Bulletin*. "Asked whether fundamental changes would be needed to stabilize Social Security in the next century, Clinton once again was cautious. . . . He also was guarded about ideas emerging from the Social Security Advisory Council that the system be partially privatized—specifically, that some contributions paid into the trust funds be invested in the stock market.

"If 'the market is a better deal than government securities,' he said, that's 'worth a careful study and maybe some sort of experimentation. I don't feel that I personally have the level of expertise to say . . . that is a good idea.' "

Dole told AARP, "We have to shore [Social Security] up again." But, he "was cautious," said the *Bulletin*, "about ideas the Advisory Council on Social Security was floating to partially privatize the system. . . . 'That may have some appeal,' Dole said, 'but there are some policy questions you have to address. Do you want the U.S. government owning corporations, or part of corporations?'"

LaRouche Democrat leading the fight

There is one candidate, however, who is boldly opposing the privatizers' plan, naming the names, and organizing the population to defeat them. She is María Elena Milton, the Democratic candidate in Arizona's 4th Congressional District, who is challenging incumbent Republican and leading Gingrichite John Shadegg. Milton, a political associate of *EIR* founder Lyndon LaRouche, has made Shadegg's secret support for Social Security privatization a lead issue in her campaign, forcing Shadegg out on the issue in one of the nation's most heavily senior-dominated districts.

In an hour-long debate which was broadcast live on cable TV in Arizona on Oct. 16, Milton exposed Shadegg's support for the "murderous" privatization policy. In reply, all Shadegg could do was lie, claiming, "The system is bankrupt, I'm just trying to save it." In fact, as Milton has revealed, Shadegg is working closely with the Public Pension Reform Caucus in the House, a group of 40 to 50 congressmen committed to privatizing Social Security, which is led by his fellow Arizona Republican, Jim Kolbe.

Milton's 24-page campaign brochure includes a feature titled "The Plot to Privatize, or 'Piratize,' Social Security." Milton explains that the plot to privatize will result in "handing over trillions of dollars from the Social Security Trust Fund, into the hands of financial sharks and speculators."

Milton then takes on the lies of NAM and similar privatizers: "There have been many scare stories about how Social Security is going to run out of money. The reasons given for this scare are that the U.S. population is aging too fast, and that seniors are too greedy. The real reason that there is any danger of a Social Security shortfall, is that the productive workforce of the U.S.A. is too small, and is being denied the ability to be productive."

'No to Wall Street's greed'

At the Oct. 17 press conference of the Campaign for America's Future, one of the speakers was Richard Trumka, the AFL-CIO secretary-treasurer and former president of the United Mine Workers. Trumka said he was speaking on behalf of 13.1 million AFL-CIO members, an equal number of

union retirees, and millions more Americans. "We say no to privatizing and to Wall Street's greed," Trumka said.

In a debate on Oct. 18 on Washington, D.C.'s Fox Morning News broadcast with NAM President Jerry Jasinowski, Trumka continued the fight. He first made clear that NAM's doomsday propaganda about Social Security going bankrupt is just that. "Actually, the 2030 year is predicated on an unrealistically low-growth expectation. Those figures are on a 1.5% growth rate. If the economy grows more than that—which it has for the last four years, which we anticipate it will, and which Jerry wants it to grow at twice that up to the year 2000, there is no problem."

Trumka then concluded, "Privatization is a \$60 billion a year get-rich-quick scheme by the mutual funds industry. Look, Social Security was designed to give everybody a social safety net, a minimum level of retirement income. Once you take that out, that guarantee out, and put it into the private market, markets go up, and markets go down. They will go down, and you could end up at retirement age with no pension. The worker assumes all the risks."

'Piratizers' show their concern

The National Association of Manufacturers released the following "Resolution on Social Security Reform" at its Oct. 15 press conference, which had been approved on Sept. 21, by its board of directors. While lying about the degree of crisis confronting the Social Security system, the resolution completely ignores the only real solution to the crisis—put forward by economist Lyndon LaRouche—which is to put the economy through an orderly bankruptcy procedure, drying out the speculative bubble which NAM and others are seeking to prop up, and to revive real economic growth through a directed credit system. Such a program would create the level of productive employment that would easily guarantee the tax base to make the Social Security fund solvent well into the 21st century.

Whereas, Social Security is of enormous concern to Americans, because of both the reliance by millions of individuals on the system as a retirement program, and the corresponding magnitude of liabilities assumed by the federal government and, ultimately, by the taxpayers;

Whereas, an apparent consensus among economists indicates that the Social Security system, as currently structured, will eventually prove unable to satisfy liabilities for benefits promised to a significant portion of the American workforce, a situation grossly unfair to individuals who have relied in good faith upon the promises of

the federal government;

Whereas, any remedy for the financial problems of the Social Security system through greater taxes would increase the costs of labor and capital, raise unemployment, lower productivity, reduce the ability of American businesses to compete in domestic and foreign markets, and ultimately, undermine the vigor of the U.S. economy; and,

Whereas, the only apparent solution to the financial problems facing the Social Security system—not involving a significant increase in taxes and/or a significant reduction in benefits—is reform of the program in favor of a system that requires individual savings rather than collective entitlement, and leads to increased economic growth and prosperity for employees and employers alike;

Therefore, we are resolved,

- first, to educate members of the NAM, and the public more generally, on the urgency of problems facing the Social Security system;

- second, to urge that the Congress respond by enacting legislation that retains a safety net for the truly needy while transforming a portion of the program to a system for retirement savings by individuals, funded with a choice of investment opportunities, separated from the assets and liabilities of the federal government, with transition provisions to protect employees from hardship in adjusting to the reformed system and to prevent increased financial exposure to employers; and

- third, to urge that such a reform program and a schedule for its implementation be enacted before the end of the 106th Congress.