EIR Economics

Bush-Moynihan Commission Would Loot Social Security

by Richard Freeman

On May 2, President George W. Bush appointed a 16-member Social Security Commission "to study Social Security reform and report back in the Autumn with recommendations for legislative action." In reality, the commission, which is co-chaired by former New York Sen. Daniel Patrick Moynihan and AOL Time Warner Chief Operating Officer Richard D. Parsons, is composed of people who are firmly committed to only one type of "reform": the "privatization of Social Security."

This is a looting policy. Under privatization, Wall Street would siphon trillions of dollars out of Social Security, via "personal retirement accounts," and would try to use the funds to save its speculative financial bubble.

The ensuing and inevitable bursting of that bubble would wipe out the funds that tens of millions of elderly count on, thus impoverishing them.

The privatizers plan to intentionally attack and undermine the purpose for which Franklin D. Roosevelt and other patriots established the Social Security system in 1935: to provide a dependable income stream to those who have retired from active work, enabling them to live in economic security, with dignity.

President Bush ensured that there would be no fundamental debate on the commission, by selecting 16 members who already support privatization to one degree or another. But the hideous and dangerous character of the commission is most succinctly expressed in the person of its chairman, Daniel Patrick Moynihan.

In the 1960s, Moynihan developed his own version of Malthusian racism, which he called "benign neglect." In the 1970s, Moynihan helped devise and implement two of the most notorious parts of the Nixon "Southern Strategy": the creation of the health maintenance organizations (HMOs), and the slave-labor program for welfare recipients, called "workfare." Now with him, and a group of Wall Street sharks and lunatic "free-marketers," at the helm, the Social Security system which has served America well for 65 years, is at severe risk.

The Social Security System

What is called the Social Security system is officially two trust funds: one, the Old Age and Survivors Insurance fund and the other, the Disability Insurance Fund. Combined, they are called the Old Age and Survivors and Disability Insurance funds, or OASDI. In 1999, there were 44.6 million elderly and/or disabled Americans who received Social Security. For the retired person, the average monthly benefit was $804. Though the privatizers disparage the benefit of Social Security, for 65% of Americans 65 years or older, the Social Security benefits provide between 50% and 100% of their annual income. In fact, for one out of five Americans 65 years or older, Social Security benefits provide 100% of their annual income.

The privatizers, who are funded by, or work for, the large brokerage houses, commercial banks, mutual funds and insurance companies, alternate between two types of lie, which they use to peddle privatization. But ultimately, all they are interested in, is getting their hands on the Social Security system's enormous accumulated funds.

The first lie consists of saying that by putting Social Security money into the stock market, the individual worker could make much more money. Under the current Social Security system, the worker pays a tax equal to 6.2% of his wage into the OASDI trust fund, and the employer matches that, so that an amount equal to 12.4% of the worker's wage is put into the Social Security trust fund. The privatizers say that an amount in the range of between 2% and 10% of the worker's wage, should not be put into the OASDI trust fund, but instead, the worker should be "allowed" to put that into an "Personal Retirement Account" (PRA), which would be invested in the stock market. The more extreme privatizers want an amount equal to 10% of the worker's wage (i.e., most of what would go toward Social Security taxes), to be invested in Individual Retirement Accounts (IRAs), and thus in the stock market. They call this "the freedom of the worker to choose."

The privatizers claim that the worker can earn 10% to 15% per year by having his money invested in the stock market, which is more than the worker can earn by having his tax money in the Social Security trust fund. The latter earns between 4.5% and 6% per year, because by law, the Social Security Trust Fund can only invest its money in a special kind of non-marketable U.S. Treasury bond. The privatizers omit any mention of such things as the fact that the value of the Nasdaq stock average has fallen 56% since March 10, 2000, enough to wipe out much of any worker's retirement fund. Historically, there have been periods of five to ten years when the stock market either earned very little, or lost money. Moreover, under the current worldwide financial disintegration, stock values will fall between 75% and 90% further, thereby destroying a retired worker's social security, leaving him completely impoverished.

The Second Lie

But while dangling this fool's gold in front of the worker, the privatizers also hand out a bigger lie: that the Social Security system is about to go bankrupt, and therefore, as an emergency measure, money should instead be put into the stock market.

There is, indeed, a serious problem in the Social Security system, but privatization would only make it worse.

First, let us look at the statement that the Social Security system is about to imminently go bust. It is this fiction that Bush trumpeted on May 2, when he introduced his Social Security Commission. Bush said, "Yet it has been apparent for many years that Social Security itself is becoming insecure. . . . The threat to the stability of Social Security has been apparent for decades. For years, political leaders have agreed that something must be done, but nothing has been done."

But while Bush, the banks, insurance companies, etc., put out the story that Social Security is running out of money, the opposite is happening. Around 1990, the OASDI Board of Trustees reported that the Social Security Trust Fund would "be depleted," i.e., run out of money, as early as 2025. In 1995, the OASDI Board of Trustees reported that the OASDI trust fund would be depleted by 2030. In 2000, the OASDI Board of Trustees reported that the OASDI trust fund would be depleted by 2037.

The Real Problem, the Real Solution

The Social Security system does have a potential serious problem, but if one understands real physical economy, there is a way to solve it.

As a result of changes made in 1983, a surplus is being built up in the Social Security Trust Fund. According to the "intermediate assumptions" reported in the Y2000 Annual Report of the OASDI Board of Trustees, by the year 2024, the Social Security Trust Fund would have a $6.048 trillion surplus. Starting in 2025, the annual level of outflows to beneficiaries, would exceed the annual level of inflows into the OASDI fund. The annual inflows into Social Security come from taxes paid by workers and employers, and from the earnings that the Social Security Trust Fund receives from its holdings of U.S. Treasury securities. From the point that outflows exceed inflows in 2025, the $6.048 trillion surplus will be drawn down, until, by the year 2037, the Social Security Trust Fund is supposed to run out of money.

For nearly four decades, then, the Social Security fund is expected to remain solvent. The solvency problem of the fund in the year 2037, is not, as the privatizers claim, a product of accounting, but of the domination of the incompetent post-industrial policies. First, the number of new workers who enter the workforce each year has fallen, due to the demographic collapse of families (itself a result of the *economic* collapse of families). This reduces the number of new workers whose taxes are needed, in part, for the benefits of those who are retired. Second, the decline in living standards of those who are already working, and also the contraction of physical output, have together reduced the level of taxes available to be paid into the Social Security Trust Fund.

Were the great infrastructure project-pivotted New Bretton Woods policy of Lyndon LaRouche to be implemented now, then long before the year 2037, the non-linear economic growth would provide solvency to the Social Security fund, on a permanent, long-term basis.

So, while the Wall Street privatizer-looters scream about the imminent insolvency of the Social Security Trust Fund, they are not really interested in solving the potentially serious, deeper problem, because that would mean junking the disastrous post-industrial society policy, which they all support. Instead, what they are truly and strictly concerned about, is to siphon off the huge flows of funds that go into Social Security. Over the next few years, it is projected that workers and employers will pay, in earmarked taxes, the following sums into the Social Security Trust Fund: over the next three years, $1.58 trillion; over the next decade, $6.27 trillion; over the next 25 years, $25.30 trillion. To get their hands on this, is the looters' objective.

Moynihan, Originator of HMOs

Some will say that the selection of Daniel Patrick Moynihan as the new Social Security commission's co-chairman represents a slick move by George Bush to choose a Democrat, in the spirit of bipartisanship. But it actually forewarns that there will be no concern about the value of human life—in this case, the lives of the elderly.

In 1969, then President Richard Nixon hired Moynihan, a right-wing social democrat, who had worked at the International Rescue Committee under intelligence spook Leo Cherne, to be his Presidential counselor, and head his newly created Council on Urban Affairs. On Jan 3, 1969, Moynihan had written a memorandum aimed at wiping out the black "underclass": "The Negro lower class must be dissolved. . . . It is the existence of this lower class, with its high rates of crime, dependency, and general disorderliness, that causes nearby whites to fear Negroes and to seek by various ways to avoid and constrain them." The way to accomplish this was *not* to provide blacks with essential services and programs. Rather, Moynihan proposed to treat them with a policy he called "benign neglect."

During July 1969, Moynihan wrote a memo to President Nixon, which attacked any increase in spending for Medicaid and Medicare—the programs of medical assistance to the poor, and the elderly and disabled—as "money down the drain." This was the opening salvo, in coordination with Nixon's Health, Education and Welfare Secretary Elliot Richardson and Office of Management and Budget Director Caspar Weinberger to push for cost containment and the Nazification of U.S. medicine, through health maintenance organizations. This culminated in the formulation and passage in 1973 of the Health Maintenance Act.

It was also Moynihan who formulated and drafted the 1971 "Family Assistance Plan," which would have compelled welfare recipients to work at slave-labor jobs. Largely as a result of the fierce opposition led by the LaRouche movement, that legislation failed. But with a slight makeover, it became the Welfare Reform Act, which Vice President Al Gore rammed through Congress in August 1996.

Co-chairing the Bush Social Security Commission is Richard Parsons, of largest U.S. media empire, AOL Time Warner, who was a former aide to the genocidalist New York Gov. Nelson Rockefeller during the 1970s.

But the dangerous nature of the 16 person commission does not stop there. Wall Street's command center for privatization is the "Social Security Privatization Project" of the lunatic Cato Institute of admirers of Friedrich von Hayek. The Cato Institute receives funding from Citigroup, Chase Manhattan Bank, Fidelity Investment, American Express, and arch-speculator George Soros, all vultures eagerly eyeing Social Security money. Five commission members are attached to, or collaborate with the Cato Institute's Privatization Project. Two commission members, Sam Beard and former Rep. Timothy Penny, serve on the Privatization Project's speakers bureau. A third, Carolyn Weaver of the American Enterprise Institute, was described by a Social Security expert at Cato as "the key person around the White House pushing full privatization": She is Bush's senior adviser on Social Security.

Richard Pozen, vice chairman of Fidelity Investment, the world's largest mutual fund, and a fervent proponent of privatization, is also a member.

The privatization proposal of the Bush commission is a gigantic looting swindle, and the same outlook that created the HMOs and slave-labor welfare reform, would now be applied to the elderly. But if they succeed in grabbing their loot, everyone will lose, as a stock market crash wipes out Social Security, and their loot as well.

Interview: Sergei Glazyev

How Can the World Get Out of This Crisis?

Dr. Sergei Glazyev is a Corresponding Member of the Russian Academy of Sciences, and Chairman of the Committee on Economic Policy and Business of the Russian State Duma (lower house of Parliament). He was interviewed by Rachel Douglas of EIR *and Gabriele Liebig, editor-in-chief of the German weekly* Neue Solidarität, *on May 5, in Bad Schwalbach, Germany, where he had spoken the previous evening, together with Lyndon H. LaRouche, Jr., on the opening panel of the Schiller Institute's internatonal conference. (See last week's* EIR *for the proceedings of that panel.)*

EIR: The name of our conference, Sergei Yuryevich, is "The Ecumenical Battle for the Common Good." In your speech last night, you said that you thought that this conference was particularly timely. Can you tell us why you think so?

Glazyev: Well, yes, I think that this conference is a very important one, and it takes place just in time. Because, at the moment when the world financial system is going through a turbulent crisis, which becomes deeper and deeper, we should think about what will be the possible way out of this crisis, and what could be done, in order to avoid financial catastrophe, together with economic catastrophe, which would split the entire world into separate regions, and everybody will survive for himself. Here, at this conference, we not only learned from worldwide experience what happens in different parts of the world, in this very complicated and difficult situation, but also we are elaborating possible scenarios for overcoming the financial troubles and switching to a worldwide development process, which will be based not on financial bubbles and financial speculation—on virtual economic activity—but will be based on the improvement of the real life of the people, in terms of growth of real production, of growth in GDP per capita, of improving technologies and increasing the quality of life.

EIR: Mr. LaRouche spoke about what he calls "the Vernadsky strategy," and said that the special role of Russia in this process can be based on its technological, scientific traditions and the idea of great infrastructure projects in all Eurasia. How do you view, how do others in Russia view the infrastructure proposals of the Schiller Institute and Mr. LaRouche on the Eurasian Land-Bridge?

Glazyev: I think that Russia really could and should play a very important role in the establishment of the new world