

Battle Over Social Security Could Make Bush a Retiree

by Paul Gallagher

Well before the President was inaugurated on Jan. 20, the Bush White House was geared up for a new, all-out election-style campaign with a new opponent—the Social Security system and the legacy of President Franklin D. Roosevelt. Since a Dec. 6 “roll-out” of Bush’s intention to change Social Security old-age and disability insurance, into a system of private retirement accounts invested in Wall Street stock and bond funds, the President’s chief priority and focus has been on this campaign. His Cabinet members and chief aides have been publicly deployed to push it. The impulsion is coming from Wall Street, faced with a dollar crash and urgently looking for a new source of cash to meet the \$2 billion/day flow now needed into the U.S. debt-and-deficit bubble. These Wall Street demands are being communicated via Vice President Dick Cheney (reportedly the mover of policy on Social Security privatization), through “free-trade” think-tanks led by the Cato Institute (see article, p. 53), and by Wall Street financial groups directly financing the anti-Social Security campaign.

While Treasury Secretary John Snow was meeting Wall Street bankers about privatizing Social Security, on Jan. 10-12, the Merrill Lynch and Co. investment bank circulated a “research report” showing how badly Wall Street wants the Social Security loot. The report, first detailed by the *Toronto Globe and Mail*, said the diversion of employees’ contributions out of Social Security and into “private accounts,” could provide 25% of all cash flows into Wall Street stock and bond funds for the foreseeable future. This would, at least briefly, pump up the dollar markets and add greatly to investment bank fees and profits—as has happened in the failed privatizations in other countries, particularly Chile and Britain.

The Washington, D.C. newspaper *The Hill* on Jan. 19 reported that Cheney and Bush have been meeting with campaign chief Karl Rove, House Speaker Dennis Hastert (Ill.),

and Senate Majority Leader Bill Frist (Tenn.) along with other Republican Senators, planning an “intensive nine-month campaign” to get Americans and their Congressional representatives into line on privatizing Social Security. The campaign would involve tens of millions in political action committee spending, *The Hill* said. It was already known that Wall Street-run lobbies like the Club for Growth, the Securities Industry Association, and the Alliance for Worker Retirement Security (AWRS) run by the Cato Institute, planned to spend more than \$100 million on television-ad propaganda against Social Security. The AWRS held a strategy meeting Jan. 21 for Congressional staff, and expected 120 to attend.

LaRouche’s Counter-Mobilization Taking Effect

But by mid-January, Americans were turning against the drive to privatize, and loot, Social Security, despite Bush’s and Cheney’s attempt strictly to prevent any specifics of their “plan” from being publicly discussed. (“I won’t negotiate with myself,” the President repeats whenever questioned about those specifics.) “GOP members [of Congress] have privately noted that they are facing more resistance to Social Security changes back in their districts, than they had expected,” the *Pittsburgh Post-Gazette* observed on Jan. 20 after interviews with Pennsylvania Representatives. The *Los Angeles Times* reported on Jan. 19 a national poll in which opposition to what Bush intends to do to about Social Security, jumped to 54%. Some leading Congressional Republicans were defecting; on Jan. 18, Rep. Bill Thomas (R-Calif.), the Ways and Means Committee and Joint Taxation Committee Chairman, gave the White House an unpleasant surprise when he told a Washington forum that Bush’s privatization scheme was “doomed by partisan politics. . . . It’s a dead horse.”

The Lyndon LaRouche Political Action Committee—LaRouche PAC—intends by a national mobilization including, so far, 600,000 copies of its pamphlet, *Bush's Social Security Privatization: Foot in the Door to Fascism*, to defeat Bush and Cheney—a defeat which could make Bush a lame-duck occupant of the Oval Office almost immediately.

LaRouche PAC started intensive leafletting in mid-December, exposing Social Security privatization as an “Enron II” swindle, and a looting of the working population’s insurance which required a dictatorship. LaRouche PAC calls it “the Chile model”—Bush’s cited model for privatization is the 1981 scheme of Gen. Augusto Pinochet’s fascist dictatorship. LaRouche PAC’s mass circulation of the *Foot in the Door to Fascism* pamphlet began at Christmas.

This counter-mobilization is being led to a great degree by the growing LaRouche Youth Movement, which was also intervening into many of the scores of policy debates on Social Security privatization being held around Washington at the time of the inauguration. President Bush has been pitching his attacks on Social Security to young people; at one televised meeting Bush called on younger workers to “think of a Social Security system that’s flat bust, bankrupt”—a lie that ranks with Cheney’s early 2003 repetitions that “Saddam Hussein has reconstituted his nuclear weapons.” The LaRouche Youth are effectively fighting this brainwashing of young people against the successful legacy of FDR.

President Franklin Roosevelt’s grandson James Roosevelt, Jr. and the Roosevelt family, in a Jan. 15 public letter, denounced White House operative Karl Rove’s use of FDR’s name and image in a TV ad campaign whose purpose is to help dismantle FDR’s Social Security.

LaRouche organizers have had meetings with Congressional offices for a unified Democratic resistance. Congressional Democrats have in fact been coming out in sharp opposition to the Bush privatization drive. On Jan. 16, Sens. Harry Reid of Nevada and Edward Kennedy of Massachusetts, and Rep. Rahm Emanuel of Illinois, appeared on separate television shows and denounced privatization as a plan to bail out Wall Street markets with Americans’ old-age insurance. On Jan. 18, Senate Democratic Policy Committee leaders Byron Dorgan of North Dakota and Debbie Stabenow of Michigan held a press conference to say that Bush is “claiming there’s a crisis so you can move assets into Wall Street.”

On Jan. 19, Reid answered Republican Thomas’s complaint: Bush’s scheme is a dead horse, said Reid, “not because of partisan politics, but because it is a privatization plan based on massive benefit cuts, risky Wall Street accounts, and \$2 trillion in additional Federal debt.”

Takeover by Cato Ideologues

EIR exposes in the following article, part of a series, that Cheney and Bush stacked their 2001 so-called Commission To Strengthen Social Security—all of whose members had to support privatization—with right-wing libertarian ideo-



Bush’s determination to pull out all stops to take down and privatize Social Security, is shown in the blatant use of benefits statement sent to hundreds of millions, to push crisis and fear-mongering about the program. “Turning the Social Security Administration into a White House PR firm,” charged one Senator.

logues fiercely opposed to everything Franklin Roosevelt stood for, and to the powers of the nation-state generally. Since then, Bush has appointed some of these ideologues to run the Social Security Administration itself. The Jan. 16 *New York Times* revealed that the Bush appointees have rolled out a plan to force the Administration and all Social Security employees, in all their contacts with the public, to retail the same lies about a “Social Security bankruptcy crisis” that Bush, Cheney, et al. are pushing. This outrageous policy, already operational, has been denounced by the American Federation of Government Employees; by Congressional leaders including House Minority Leader Rep. Nancy Pelosi (D-Calif.); and by former senior Social Security officials. The policy was drawn up by an “economic analyst” from the Cato Institute, Andrew Biggs, Jr., whom Bush recently made Assistant Administrator of Social Security for Retirement Policy.

The latest issuance of “Your Social Security Statement,” which is sent out annually to all recipients and payroll taxpayers to inform them of their benefits status, contains blatant “crisis” propaganda on its introductory page, insisting that Social Security is running out of money to pay benefits and “We need to resolve these problems soon.” The false statement is signed by Commissioner Jo Anne Barnhart, a Bush appointee.

Senator Reid and House Democratic Leader Pelosi accused Bush of “turning the Social Security Administration into a White House PR firm.” “The United States government is not a Republican propaganda machine,” Reid said in a Jan. 19 statement. But the Cato Institute plan being implemented by Biggs goes beyond the letter to demand that employees explain this “bankruptcy crisis” to the public at Social Security offices, and even deploy to locations like “post offices and big-box produce stores” to push it.

The scandal is only the biggest in a series which show the Cheney-Bush White House using the low tactics usually seen in a bare-knuckled election campaign fight, to promote their “domestic agenda” post-election. But LaRouche judges that

it is the attempt to take down Social Security, driven by Wall Street, that if beaten, can take down Bush instead into “lame-duck” status. LaRouche has made it his movement’s mission in the United States to do so. Bush will not let up on the drive to cut and privatize Social Security, though it is generating a growing backlash.

Republican ‘Defectors’

Reactions to Ways and Means Chairman Thomas’s “dead horse” speech of Jan. 18 show that a group of Congressional Republicans has defected, for now, from the Cheney-Bush-Rove drive, though supporters of privatization themselves. The LaRouche PAC national mobilization, the public proofs that the Cheney-Bush “plan” would make large cuts in Social Security benefits and would mean many trillions in new “off-budget” Federal debt to replace the payroll taxes being diverted to Wall Street, the mobilization of the American Association of Retired Person against the swindle—all have “spooked” these Republicans, who consider the White House privatization campaign a disaster thus far.

Democrats thus have to forget talking about compromises with the GOP “defectors,” and focus completely on the public battle to defeat Bush which made them defect. So far, this has been the order of the day with Democratic Senate leaders attacking Thomas’s nonsense on Jan. 19, and House Leader Pelosi continuing the attack Jan. 20.

The “defectors” include Thomas, Social Security Subcommittee chairman Jim McCrery (R-La.), Rep. Jim DeMint (R-N.C.), Rep. Phil English (R-Pa.), Rep. Bob Simmons (R-Conn.), and Sen. Lindsay Graham (R-S.C.), among others. It is possible they also include the McCarthy-like thug Rep.

Tom DeLay of Texas, the House Majority Leader. With Thomas—who also heads the Joint Committee on Taxation—out front, they are pushing “tax reform alternatives” to Bush’s privatization, and trying to get Democrats on board. DeMint, for example, claims private accounts to replace Social Security could be funded by a new “national sales tax” he’s prepared to introduce, and would be great for the poor. A Georgia Republican, John Linder, is preparing a “national flat tax” bill and claims 55 co-sponsors. These are economic austerity schemes, to raise revenue through extremely regressive taxes while the taxes of corporations, banks, and the wealthiest Americans continue to be reduced. Thomas, on Jan. 18, actually mooted eliminating the Social Security payroll tax in favor of other, new taxes, an idea more dangerous and just as foolish as another suggestion: lowering Social Security benefits for women because they live longer than men.

Some Democratic think-tank denizens led by Gene Sperling, former chief economic advisor under Bill Clinton, are lending credibility to these “defectors” which they do not have with Democratic Congressmen. Sperling, following Thomas at the *National Journal* event on Jan. 18, said, “Bill Thomas was accusing the White House and many Democrats of being stuck in their ideological corners. . . . The Chairman’s comments pointed the way to a compromise that could include many Democrats.”

LaRouche’s strategy is the opposite: Beat Bush decisively on privatization, his number-one policy priority; and then a different economic recovery strategy organized by a different political force, guided by LaRouche, becomes possible. National sales taxes and regressive flat taxes won’t be part of it.

The Real Crisis: Private Pensions

Nothing shows the insanity of “privatizing” Social Security more clearly than the conditions of the nation’s private (corporate) retirement pension plans, whose assets and contributions are invested in stocks and bonds as Bush would do to Social Security. While the Social Security Trust Fund is gathering a surplus of over \$150 billion a year, recent estimates are that private pension funds have a collective \$450 billion deficit. Fed Chairman Alan Greenspan’s low interest rates, and negative stock indexes since 1999, as well as corporate under-funding of the plans, have brought this about. Moreover, plans which offer reliable benefits in retirement—called “defined benefit” plans—are dying out; only 30,000 such plans remain of 130,000 a generation ago.

Faced with the ongoing collapse of the big airlines’ pension plans, the Bush White House is seeking to save the Pension Benefit Guarantee Corporation (PBGC), which has to absorb the bankrupt pensions. Bush on Jan. 10 announced a call for legislation to raise corporate insurance premiums to the PBGC by 58%, and add additional “risk premiums” to that. Congressional experts say this could cause more firms—especially in auto and auto-supply industries—to end their defined-benefit plans and perhaps enforce that by declaring bankruptcy.

Americans’ retirement funds are spoken of as having “three legs”—Social Security, private pension plans, and personal savings. But in 2004, “52% of working America has only one leg—Social Security,” said one expert. And among Americans earning \$25,000 or less annually, 80% now can look forward only to Social Security in retirement.

Thus the folly of taking away Social Security and replacing it with private accounts invested on Wall Street.

—Paul Gallagher