Eye on Washington by Nicholas F. Benton

Wall Street demands Social Security cut

The "budget summit" negotiators from the White House and the Hill, as they were rushing to beat the Nov. 20 deadline to cut at least $23 billion from the federal budget, were assaulted by a two-page advertisement which appeared in the *New York Times* Nov. 9 and the *Washington Post* Nov. 12, signed by 200 of the nation's leading bankers and investors.

The ad was a heavy-handed demand that Washington bail out Wall Street at the expense of the fixed incomes of the nation's elderly. They claimed that they needed a "confidence-building" measure like cutting Social Security benefits in order to restore stability in the markets.

The all-star cast of bluebloods who signed the ad, are the fellows whose practices of drug-money laundering, junk-bond dealing, off-balance-sheet lending, and other speculative operations set up all the preconditions for the October crash. It included David Rockefeller and Henry Schacht, son of Hitler's finance minister.

The ad followed the theme laid out on CBS's "Face the Nation" in October by former Commerce Secretary Peter Peterson (also a signer), who said that a bipartisan commission needed to be set up to dig into the "middle-income entitlement" programs—such as Social Security, pensions, and Medicare.

This, he said, should begin with an attack on the annual "cost of living adjustments" (COLAs), which the ad also specified. He noted that a "2% solution," (i.e., restricting the COLA to 2% no matter what the rate of inflation is—and it is projected at 4.5% for FY 1988—would save billions by the end of the century.

Such deep cuts are necessary, he said, if the market is to regain confidence that the government is "really serious" about reducing the deficit.

This is the biggest fraud that's been seen in a long time, even in Washington. It fits Nazi Propaganda Minister Goebbels's definition of the "Big Lie"—so big, it is believed, because people can't imagine that anyone would dare be so deceitful.

Draconian reductions in the federal deficit will do nothing to stabilize the market, but of all the spokesmen in the administration, only outgoing Secretary of Defense Caspar Weinberger has attacked this lie publicly.

In reality, as everyone already knows (and as has been detailed in a special report delivered to a closed session of the Senate Banking Committee just after the Oct. 19 crash), the size of the federal deficit for FY 1988 will be more than triple current estimates—from $500 to $700 billion—because of the federal revenues lost in the market crash and likely to be lost thanks to its impact on the general economy, including economic slowdown, higher inflation, mass layoffs, etc., over the next few months.

To give the impression that cutting a few extra billion out of the budget now will "restore confidence" is pure charade. The most troubling part is that everyone in Washington is willing to play along, except for Weinberger, who probably quit over it.

While President Reagan said that everything was "negotiable" in the cosmetic exercise to trim the federal budget, except for Social Security expenditures, even he was getting skittish over the pressure from Wall Street to take the axe to the elderly.

For example, when I asked him Nov. 9, White House spokesman Marlin Fitzwater refused to include the Social Security COLA as part of what the President had said was off limits for negotiations.

"But," I asked, "the point of the President, saying that Social Security was not on the table, was clearly to demonstrate to the American population his intent to insulate the living standards of elderly people on fixed incomes from this budget negotiation. So, why not simply state in the affirmative that Reagan would not consider a COLA freeze?"

Fitzwater squirmed, "Well, I'm not going to give a definition—" I replied, "Why not? They're the same thing. How can you distinguish them?" Fitzwater: "Because you just can't pick and choose."

This song-and-dance by the White House continued the next day. I asked Fitzwater, "Has the President had any reaction to this heavy-handed and really shameful, big two-page ad in the *New York Times* yesterday by all these Wall Street international bankers and investors who are insisting that they be bailed out at the expense of the fixed incomes of the nation's elderly?"

Fitzwater's terse answer was, "He hasn't responded. No."

So, whether the final budget will reflect the bankers' demands remained up in the air as the Nov. 20 deadline approached.

Wall Street's position will be that if the new cuts don't slice into the entitlements, then all blame for the continued unraveling of the economy will be on "the lack of political will" in Washington. On the other hand, if the cuts are made, and the economy continues to unravel (as it surely will), they will just shrug their shoulders and cry for more.