

Bush Loses Battle In War To Loot Social Security

by Paul Gallagher

George W. Bush's all-out drive to "go the Pinochet way with Social Security" lost its first battle in the first week of January, when some of the grim facts of his plan became known to the Congress, and were leaked to the press. Democrats across the board have gone into opposition to Bush's swindle, rather than foolishly accept the White House's "crisis in Social Security" clap-trap and start offering competing plans. Burned, the White House on Jan. 5 retreated to Bush's "I won't negotiate with myself" mantra in which he denies his swindle has any details or any consequences.

This first dust-up in the battle to stop "the Chile model" of fascism in the United States, reflects the truth that "there is no crisis and no threat to Social Security today except that of George W. Bush's fascist plan to privatize it," as Lyndon LaRouche put the reality in his Jan. 5 Internet broadcast.

Three revelations have been critical in mobilizing resistance to the President's all-out drive to turn trillions in Social Security payments over to Wall Street. All three have been highlighted by *EIR* and by the Lyndon LaRouche Political Action Committee in its mass pamphlet "Foot in the Door for Fascism," and were confirmed by early January admissions by the White House itself. The revelations were: 1) that the scheme's model, is the 1981 privatization in General Pinochet's fascist Chile, and that its leading travelling salesman, José Piñera of the Cato Institute, is no "friendly academic," but was Pinochet's Labor Minister; 2) the White House's own blundering revelation to Congressional aides that it intends to make major cuts in Social Security benefits; and 3) clear hints from the White House that it envisions a *default* by the Treasury against the Social Security Trust Fund, forgetting about repaying some \$1.5 trillion which has been "borrowed" from the Trust Fund to cover tax cuts and deficits.

Some Democrats are also pointing to the obvious fact that the U.S. economy is littered with wrecks, including the Pension Benefit Guarantee Corporation which has recently had to take over tens of billions of dollars in private pensions abandoned by major corporations, and does not have the money to pay these pensions: Yet Bush idiotically insists on a "crisis in Social Security." The Social Security system is far healthier than the bankrupts of the rest of the economy, the dollar, and Wall Street; so Bush is suddenly, manically determined to loot it. The critical point: As these private pension plans are abandoned in bankruptcies or underfunded by big employers, Social Security becomes more and more important to the retirement of many millions of Americans.

Threatened Default—Against Retirees

On Dec. 16, speaking at the concluding session of what Bush called his "White House Economic Summit"—actually a simple cheerleading session for his radical-right-wing economic demands—the President falsely claimed that the Social Security system "will start to move into insolvency in 2018." The lie was a shocker, because it implies a *default by the United States Treasury on its bonds held by the Social Security Trust Fund*. The year 2018 is the earliest that may see a projected small annual deficit for Social Security. From that point, it would simply use its multi-trillion surplus, accumulated over more than three decades, in order to keep benefits at promised levels for 30 years more. But most of that surplus has been borrowed by the Treasury and used to pay other government expenses, especially under George W. Bush. Bush has "borrowed" more than \$500 billion of it, to pay, in effect, for some of his wealthy supporters' tax cuts. When the President raised the threat of Social Security "insolvency after

2018,” he was really threatening a default at that time against the Trust Fund, and against the nation’s retirees.

That shocking threat had been the stock-and-trade of the right-wing ideologues, until now. But not only Bush, but his chief assistant for Economic Policy and Social Security, Charles Blahous, are implying default. Interviewed for a Jan. 2 *Washington Post* story, Blahous was asked about the understanding of the 1980s, when payroll tax rates were raised to 6.2%, that if any of the resulting Social Security surpluses were borrowed for other purposes, the Treasury’s full faith and credit would stand behind the bonds given to the Social Security Trust Fund. Those bonds start coming due in the late 2010s. Said Blahous, “It’s not much consolation to the worker of 2025 that there was an understanding in 1983.”

This confirmed LaRouche PAC’s warning—of Bush *planning on eventual default*, as part of his attempt to create a Social Security breakdown crisis—in its mass pamphlet issued just after Christmas. Lyndon LaRouche on Jan. 5 reiterated that this could wreck the dollar and U.S. Treasury debt in general, as well as Social Security. Robert Greenstein, executive director of the Center on Budget and Policy Priorities, warned that the Bush Administration “is willing to have the U.S. government default [on its bonds] for the first time in history.”

Blahous—whom LaRouche called “Chuck Outhouse, Bush’s man in the privy”—is working with Karl Rove to figure out how to sell the swindle to Congress and the public. He has been head of the Wall Street business group Alliance for Worker Retirement Security pushing privatization, and was executive director of Bush’s official 2001 Commission on Social Security privatization.

Benefit Cuts Go Public

Because of the White House’s blunders and self-exposure of the fascist nature of Bush’s scheme, as of Jan. 5, two completely contradictory stories were circulating in major U.S. media about the Social Security privatization plan. The Associated Press was reporting that the White House had given Congress details—letting younger workers divert two-thirds of their Social Security taxes to private accounts; cutting promised benefits by up to 30% by 2025; borrowing the transition costs—while the *Washington Post* was publishing Administration leaks that Bush had no plan, was going to “go slower” on privatization, and might even wait for a privatization plan to come from Republicans in Congress rather than proposing one.

The duelling accounts had a single cause. On the morning of Jan. 3, White House “experts” on Social Security had briefed some offices of the new Congress on the specifics of Bush’s “Chile Model” scheme, including its schedule of big cuts in benefits for all retirees—the younger workers are supposed to “make it up” before they retire by putting their payroll contributions on Wall Street, instead of into Social Security. This White House briefing to the Hill collided with

LaRouche PAC’s meetings and circulation of its “Foot in the Door to Fascism” pamphlet and other ammunition to the Hill and the nation—resulting in the first explosive skirmish in this battle. The brutal details from the White House were leaked to the press; the Jan. 4 *Washington Post* published the big benefit cuts in chart form. The same intended cuts in benefits had already been charted in the LaRouche PAC pamphlet, which was confirmed again.

The brutal details were leaked to the press, reportedly by the offices of Republican Congressmen. Anti-Bush resistance spread in the Congress, and even among traitorous sections of the Democratic Party such as the Democratic Leadership Council, which on Jan. 5 said it would fight Bush’s schemes even though it has long supported Social Security privatization itself. On Jan. 4, the 33 million-member American Association of Retired Persons (AARP) launched a \$5 million campaign of advertisements in 50 major newspapers across the country, vowing to stop Bush’s privatization swindle.

Democratic leaders of the resistance to the White House looting scheme reported that more Congressional opposition is rallying against the whole Bush drive, rather than advancing “alternative ideas” to fix a Social Security system which is definitely not broken. Any problem in paying full benefits, with current tax rates, is at least 40-50 years away *except in the case of a complete economic collapse and/or a Treasury default against Social Security resulting from White House fanatics’ tax cuts and huge deficits*. Even more insane is Wall Street’s desire to use the trillions in Social Security funds to “save the system” by throwing them into the markets. The threatening problems are *not* those of Social Security.

The revelation of the planned decades of benefit cuts also hit the Republican Party hard, and Jan. 6 press reports noted a split developing in Republican ranks in Congress. The most fanatical “free traders” were reportedly coalescing around a radical Cato Institute variant privatization plan called the Ryan-Sununu bill (see *EIR*, Dec. 24, 2004). This wild, “total privatization” scheme promises not to cut future benefits. But because it would rapidly divert most worker’s contributions away from Social Security into Wall Street “private accounts,” paying retirees’ benefits would require so much new government borrowing that it alone might double the Federal debt in 10 years!

This first setback for Bush-Cheney’s Social Security looting plan is only one skirmish in a war directly linked to the fight over the legitimacy of Bush’s Presidency. LaRouche PAC’s “Foot in the Door to Fascism” pamphlet has been in mass circulation for only a week, yet 50,000 are already out in the area around the capital. Its representatives are collaborating with Congressional and other groups to discredit the bloody history of the “Chile model of economics,” its star salesman José Piñera, and its “grandfather,” Republican fixer George Shultz.