is a matter of grave concern. Emergency remedial action is going to be forced upon a reluctant Executive Branch and U.S. Congress by the imminent bankruptcies of both General Motors and Ford. Yet the White House leadership is apparently losing all touch with reality.

LaRouche singled out President Bush's performance during his Thursday evening White House press conference. In response to a reporter's question about his Social Security privatization scheme, the President, in effect, announced the sovereign default of the United States Government, by declaring that the U.S. Treasury Bonds in the Social Security Trust Fund were worthless IOUs. Yet, just seconds later, the President said that worried investors could place their privatized Social Security accounts in bonds, rather than in risky Wall Street stocks.

The President said, according to the official White House transcript of the April 29, 2005 press conference: "Now, it's very important for our fellow citizens to understand that there is not a bank account here in Washington, D.C., where we take your payroll taxes and hold it for you and then give it back to you when you retire. Our system here is called pay-as-you-go. You pay into the system through your payroll taxes, and the government spends it. It spends the money on the current retirees, and with the money left over, it funds other government programs. And all that's left behind is file cabinets full of IOUs. . . . I want people to have real assets in the system."

Then, in response to the same question, the President continued: "People say, well, I don't want to have—take risks. Well, as I had a line in my opening statement, there are ways where you don't have to take risk. People say, I'm worried about the stock market going down right before I retire. You can manage your assets. You can go from bonds and stocks to only bonds as you get older."

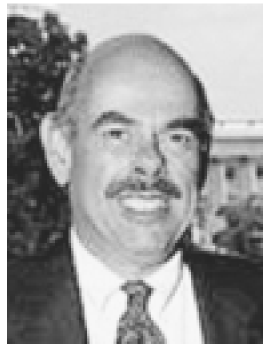
But the President had just described the U.S. Treasury Bonds in the Trust Fund as "file cabinets full of IOUs." This, LaRouche observed, is clinical insanity. How will the governments of Japan, South Korea, and China, who all hold vast reserves of U.S. Treasury Bonds respond to the President's declaration that these are not "real assets?" Has the President, by his foolishness, triggered a potential pullout of U.S. Treasuries, thereby triggering a near-term dollar crash? How close are we to such a cataclysmic event, as the result of the President's foolishness?

LaRouche added that the credible report of the Rove incident with the Republican U.S. Senator also indicates that others in the inner circle of President Bush are equally mad, and that this pervasive insanity in and around the Oval Office is a matter of immediate grave concern for all Americans, and for leading officials around the world, whose own security is very much tied to the state of mind of the U.S. Presidency. The collective insanity at the White House, LaRouche concluded, can not go ignored, but at the gravest threat to world stability.

From the Congress

Waxman: Bush 'Wrong Morally And Legally'

The following letter from Rep. Henry A. Waxman (D-Calif.) was sent to President Bush on April 28, 2005, concerning the President's statements denying the existence of the Social Security Trust Fund. Bush has repeatedly claimed that money collected for Social Security in any given year, that is not spent on Social Security, can be used by the President for anything he deems fit, and does not have to be repaid. Representative Waxman, ranking minority member of the Committee on Government Reform, noted that Bush has so far borrowed $500 billion from the Social Security system, and Bush's most recent budget projects that the Federal government will borrow an additional $2.5 trillion over the next 10 years. Waxman calls Bush's intention not to repay this money "wrong morally and legally," and notes that this breaks a 70-year commitment that has existed since President Franklin Roosevelt instituted Social Security. Footnotes have been omitted here; the complete document can be found at: www.democrats.reform.house.gov/Documents/20050428104636-47431.pdf.



Henry Waxman

I am writing regarding your recent statements about the Social Security trust funds. On April 5, 2005, during an event in Parkersburg, West Virginia, you stated: "there is no trust fund," "the government is making promises to younger Americans that it cannot keep," and the trust fund reserves are "just IOUs." Discussing Social Security at an event on Feb. 9, you said: "Some in our country think that Social Security is a trust fund. That's just simply not true." A day later, you added: "there are empty promises, but there's no pile of money that you thought was there when you retired."

On April 15, at an event in Kirtland, Ohio, you stated: "some people in America think that the federal government all these years has been collecting your payroll taxes and were holding it for you. And then when you get ready to retire, we give it back to you. That's not the way it works." And just last week, you called the assets in the trust funds nothing but "paper promises."

The implication of your statements is breathtaking: in effect, you are saying that your Administration does not intend to repay the trillions of dollars being borrowed from the Social Security trust funds. Your position is wrong morally and legally, and it breaks a 70-year commitment that the payments Americans make into the Social Security system will be held in trust for Social Security beneficiaries, not diverted to tax cuts for the super rich or to other government expenditures.

Since you were elected, the federal government has borrowed over $500 billion from the Social Security trust funds. These funds have been used to pay for multiple rounds of tax cuts for the wealthy and other government expenditures. Under your budget, the government is projected to borrow an additional $2.5 trillion from the trust funds over the next 10 years. You may not want to repay these funds, just as a homeowner may wish that he or she could stop paying the mortgage, but you are legally and morally obligated to repay what you have borrowed.

The 1983 amendments to the Social Security Act anticipated the financial burden posed by the retirement of the baby boom generation. The legislation raised the retirement age of American workers and increased their Social Security contributions for the specific purpose of creating a large reserve in the trust funds that could be drawn down as the baby boomers retired. American families have kept their end of the bargain. According to the nonpartisan Congressional Budget Office (CBO), their contributions to the trust funds will build up reserves of $8 trillion by 2034, enough to fully fund Social Security through 2052.

The question now is whether the federal government will keep its commitment to Social Security. It would be a gross betrayal and an unprecedented transfer of wealth from the middle class to the super rich for the government to renege on its promise to repay the trust funds.

A 'Legal, Moral, and Political' Commitment

When Social Security was enacted in 1935, it faced a demographic challenge similar to the one we face today. As the committee established by President Roosevelt to make recommendations on Social Security reported, "in 25 to 30 years the actual number of old people will have doubled" and the ratio of seniors to other Americans was expected to increase.

The solution President Roosevelt and his committee developed was to create a contributory system that would fund a Social Security "reserve account" from which funds could be drawn to meet future needs. As explained by Social Security Administration historian Larry DeWitt, American workers were to make payments into the reserve "with the clear idea that this account would then be the source of monies to fund the workers retirement." In 1938, the Social Security Board summarized this approach as follows:

> The existing law contemplates a fully financed system. That is to say, it requires that probable future liabilities be taken into account from the very beginning and that a sufficient reserve be set up so that the earnings on the reserve, plus current pay-roll tax receipts, will be sufficient always to cover annual benefit disbursements.

In 1939, Congress enacted amendments to the Social Security Act that turned the 1935 "reserve account" into a formal "trust fund" for Social Security participants. This law provided that the payroll taxes for Social Security were to be directly credited to the trust fund and managed by trustees for the benefit of the Social Security program. A second Social Security trust fund, for disability insurance, was created in the Social Security Amendments of 1956.

From the outset of the Social Security trust funds, the law provided that the United States government would back the obligations held by the trust funds. The 1939 law stated that it was the duty of the managing trustee to "invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals." According to the statute, "Such investments may be made only in interest bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States."

Amendments to the Social Security Act in 1994 reaffirmed the governments commitment to back the trust funds. The law provided that each trust fund obligation shall "be evidenced by a paper instrument in the form of a bond, note, or certificate of indebtedness issued by the Secretary of the Treasury" that states "on its face":

> that the obligation shall be incontestable in the hands of the Trust Fund to which it is issued, that the obligation is supported by the full faith and credit of the United States, and that the United States is pledged to the payment of the obligation with respect to both principal and interest.

The "full faith and credit" guarantee is the strongest guarantee the federal government can provide. It is the same guarantee that backs other federal notes and bonds. According to the Social Security Administration:

> Far from being "worthless IOUs," the investments held by the trust funds are backed by the full faith and credit of the U.S. Government. The government has always repaid Social Security, with interest. The special-issue securities are, therefore, just as safe as U.S. Savings Bonds or other financial instruments of the Federal government.

Until your recent remarks, no President in the 70-year history of Social Security questioned the commitment of the

President Bush grandstands at the U.S. Treasury Agency's Bureau of Public Debt in Parkersburg, W.V., on April 5, claiming that money he borrowed from the Social Security fund is now represented by worthless IOUs.

government to repay the trust funds. When Social Security was created, President Roosevelt stated: "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and unemployment benefits." You are the only President to suggest that this "legal, moral, and political" commitment could be violated.

The 1983 Social Security Reforms

The last major Social Security legislation was the 1983 Social Security legislation. This legislation expressly renewed the commitment between the public and government inherent in the Social Security trust funds.

In the early 1980s, the Social Security system faced both short-term and long-term deficits. In 1981, President Reagan appointed a bipartisan commission, chaired by Alan Greenspan, that was tasked with reviewing "relevant analyses of the current and long-term financial condition of the Social Security trust funds," identifying "problems that may threaten the long-term solvency of such funds," and developing and recommending "solutions to such problems that will both assure the financial integrity of the Social Security System and the provision of appropriate benefits."

President Reagan's mandate to the Greenspan Commission explicitly recognized the need to protect the Social Security trust funds:

> I believe that we should build any social security rescue plan around . . . basic principles: First we must preserve the integrity of the trust funds and the basic social security benefit structure.

In their report to the President, the members of the Greenspan Commission "agreed that the long-range deficit should be reduced to approximately zero," and they presented a set of recommendations that would "meet about two-thirds of the long-range financial requirements." The cornerstone of the Commission's recommendation was the idea that Social Security could be preserved by building up reserves in the trust funds that could be used to pay out benefits as the baby boom generation retired. To accomplish this, the Commission recommended raising the retirement age and increasing Social Security contributions.

Congress reformed Social Security soon after the Commission report was released. The legislation relied heavily on the Commission report and made clear that the build-up of trust fund reserves was vital to the long-term future of the program. As the Commission had recommended, the legislation eliminated the deficit faced by Social Security by raising the retirement age and increasing Social Security contributions. The House bill was titled: "A bill to assure the solvency of the Social Security Trust Funds." The report of the House Committee on Ways and Means stated:

> The combination of revenue increases and benefit modifications contained in the bill both assures the trust funds against short-term cash shortfalls, and eliminates the currently projected long-term deficit.

During debate on the 1983 amendments, members of the House and Senate focused on the vital role of the trust fund in the long-term health of the Social Security system. Senator Dole, the Chairman of the Senate Finance Committee and a member of the Greenspan Commission, observed that the heart of this legislation is the package of provisions designed to assure the solvency of the Social Security system over both the short term and the long term. Senator Heinz stated:

> This bill will restore solvency to Social Security. It should insure, under our current economic forecasts, the financial integrity of the old-age, survivors, and disability insurance (OASDI) trust funds for both the rest of this decade and the foreseeable 75 year future.

Rep. Dan Rostenkowski, the Chair of the Ways and Means Committee, stated that the bill is "a cautious, fair plan that raises enough revenue [that] . . . closes the enormous deficit built up in the next century." Rep. Cecil Heftel from Hawaii underscored that the proposal was designed to address the "combined effects of several recent years of low birth rates and a high number of future retirees when the baby boom generations of the 1940s and 1950s begin reaching retirement age."

When President Reagan signed the 1983 bill into law on April 20, 1983, he told the crowd that the "bill demonstrates for all time our nations ironclad commitment to Social Security." Pointing out that just months earlier, there had been "legitimate alarm that Social Security would soon run out of money," the President noted: "we kept our promises. We promised to protect the financial integrity of Social Security. We have."

The question now is whether the federal government will keep its commitment to Social Security. It would be a gross betrayal and an unprecedented transfer of wealth from the middle class to the super rich for the government to renege on its promise to repay the trust funds.

American Families Have Done Their Part

Since passage of the 1983 reform, Americans have also kept their end of the bargain. Every paycheck, Americans pay FICA taxes into the Social Security system. These contributions have significantly exceeded the amount required to pay current benefits, building up the reserve fund contemplated by the 1983 legislation.

According to the Congressional Budget Office, the Social Security trust funds have accumulated a surplus of $1.8 trillion since 1983. The surplus is invested in obligations backed by the full faith and credit of the United States, earning interest that further builds up the trust funds.

CBO estimates that Social Security revenues will exceed benefits every year until 2020, at which point the surplus in the trust funds is projected to total almost $5.8 trillion. Because of interest payments to the trust funds, the funds will continue to grow until 2034, when they are projected to peak at $8 trillion.

As President Reagan and Congress intended in 1983, this surplus will make Social Security solvent for decades if it is protected. Assuming full repayment of the trust funds, the surplus is projected by CBO to last until 2052. This would allow full benefits to be paid for the next 47 years, even with no changes to the program.

A Breach of Trust

When you were a candidate for President in 2000, you promised to protect the Social Security surplus. Your "Blueprint for the Middle Class" said that you would " 'Lockbox' the Social Security Surplus" and "Require that Social Security money be used for nothing but Social Security." The Republican Party platform in 2000 reflected your promises, stating: "The Social Security surplus is off-limits, off budget, and will not be touched."

During your first term, you did not keep these promises. Under President Clinton's leadership, Congress had passed budgets that protected the Social Security trust funds. Under the "lockbox" principle that President Clinton espoused, the surplus in the trust funds was used to pay down government debt rather than fund tax cuts or government expenditures. Despite your campaign pledges, you abandoned the lockbox and spent the Social Security surpluses to pay for tax cuts for the super rich and other government expenditures.

During your first term, Americans paid $2.1 trillion in FICA contributions. Of this amount, $600 billion were surplus contributions that were specifically intended to build up the trust funds. Your budgets spent $500 billion of these surplus contributions to fund tax cut legislation and other government expenditures.

The tax cuts passed by Congress in 2001, 2002, and 2003 were the largest single drain on the Social Security trust funds. These tax cuts alone consumed approximately $750 billion over the last four years, more than the entire Social Security surplus over that period. The principal beneficiaries of the tax cuts were the wealthiest 1% of Americans, who received 27% of the tax savings under the legislation.

Your latest budget proposes even more spending from the Social Security trust funds: $2.5 trillion over the next ten years. Once again, the tax cuts for the super rich are the major drain on the trust funds. Of the $2.5 trillion that will be taken from the trust funds, an estimated $1.5 trillion will be spent to pay for tax cuts for the wealthiest 1% of Americans.

You are now stating publicly that the government will not repay the funds that are being taken from the Social Security trust funds. On Feb. 9, 2005, you told an audience in Washington, D.C.:

> Some in our country think that Social Security is a trust fund—in other words, there's a pile of money being accumulated. That's just simply not true. The money—payroll taxes going into the Social Security are spent. They're spent on benefits and they're spent on government programs. There is no trust.

A day later, you told an audience in Raleigh, North Carolina, that "there are empty promises, but there's no pile of money that you thought was there when you retired."

On April 5, you delivered extensive remarks on the Social Security trust funds immediately following your visit to the