

Bureau of Public Debt, the vault in West Virginia that houses the Social Security trust fund bonds. There you told Americans that “there is no ‘trust fund.’” According to your remarks:

A lot of people in America think there’s a trust, in this sense that we take your money through payroll taxes and then we hold it for you, and then when you retire, we give it back to you. But that’s not the way it works. There is no “trust fund,” just IOUs that I saw first-hand. . . . The problem is that the government is making promises to younger Americans that it cannot keep.

Similarly, on April 15, you told an audience in Kirtland, Ohio:

It’s not a trust. I mean, some people in America I suspect think that the federal government all these years has been collecting your payroll taxes and we’re 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.

You re-emphasized these claims again last week, telling CNBCs Ron Insana that there are “no real assets in the system” and that the trust funds consist of “paper promises.”

The effect of renegeing on the governments obligation to repay the trust funds—as you are proposing—would be a massive transfer of wealth from the middle class to the wealthiest in the country. Almost 75% of the contributions to the Social Security trust funds come from families earning less than \$80,000 per year. When one cuts through your rhetoric, the impact of your budget proposals is stark: trillions of dollars in Social Security contributions from the middle class are being diverted to pay for tax cuts that primarily benefit the super rich.

Conclusion

Over the past 20 years, the contributions of Americans to Social Security trust funds have built an accumulated reserve of almost \$2 trillion. Over the next 30 years, these reserves are estimated to grow to over \$8 trillion. If the government borrows these reserves to pay for tax cuts and government spending, the government has both a moral and legal obligation to repay the trust funds. Your position—that the government should not repay the funds it has borrowed from Social Security—betrays the trust that millions of American families have placed in you.

Your position is wrong, both morally and legally. I urge you to repudiate your statements about the Social Security trust funds and ensure that Americans receive the benefits that they have paid for and earned.

Sincerely,

Henry A. Waxman

Ranking Minority Member

Disintegrating GOP Rams Through Budget

by Carl Osgood

The ramrod passage of the conference report on the Fiscal 2006 budget on April 28, provides further evidence of the flight-forward panic that is taking over top echelons of the Republican Party in Congress. In an attempt to quell the growing revolt within the GOP against the fascist austerity demanded by the White House, the Congressional Republican leadership wrote most of the conference agreement behind closed doors, without the knowledge and participation of the Democrats. In fact, the House didn’t even appoint members of the conference committee until April 26, two days before the House voted on the conference report, suggesting that most of the work was done by a handful of party loyalists and their staffs, before the conference committee was even formally constituted.

The budget resolution was then rammed through the House in what has become typical fashion for this Congress. It was brought to the floor under a so-called “martial law rule,” under which conference reports can be considered on the same day that they are released, rather than waiting the three days otherwise required by the House rules. The conference report was made available at 2:45 PM on April 28. The House was voting on the martial law rule (which passed by a vote of 228 to 196) by 6:30 PM, and then voting on the budget bill, itself, at 8:35 PM, less than 6 hours after it was released.

Rep. Jim McGovern (D-Mass.), a member of the House Rules Committee—or rather “the Break-the-Rules Committee,” as he called it—said, during the debate on the rule: “Here we are taking up a bill that adds to the deficit and cuts billions of dollars from the safety net that protects the most vulnerable people in our country. We are considering this bill under a martial-law rule and without the three days required by the House rules so that members can actually read and analyze this bill for themselves.”

The budget passed by a vote of 214 to 211, with 15 Republicans joining all the 195 Democrats and 1 independent against the budget. Presumably, members of the Senate had more time to study the budget before voting on it. The Senate did not vote until 11:29 PM, but passed the budget 52 to 47.

Two days earlier, as the House was appointing conferees, it had voted 348 to 72, to instruct those conferees to agree with the Senate on the issue of Medicaid. The Senate had voted a month ago to strip out a provision calling for \$14 billion in cuts to Medicaid. It had also voted for the creation of a bipartisan commission to review the program. The House resolution, in contrast, had called for \$20 billion in cuts to

Medicaid, although 44 Republicans had signed a letter to House Budget Committee chairman Jim Nussle (R-Ia.) protesting the cuts. Nussle, however, did not oppose the motion to instruct, cleverly claiming that he did not oppose the language, which no doubt, explains the large vote.

House Minority Whip Steny Hoyer (D-Md.) called Nussle's bluff, however, accusing him of declaring victory when he knows he is going to lose, because "what he says is that there is consensus on his rhetoric" but not on his policies. Perhaps Nussle's real motive for not opposing the motion, was that the budget was already a done deal by that time, making the vote, itself, irrelevant.

The conference report largely preserves the cuts that President Bush is demanding. The resolution demands \$34.7 billion in cuts over five years from mandatory programs, of which \$10 billion is likely to come out of Medicaid, and calls for \$70 billion in tax cuts, all under the reconciliation process. It also reduces domestic non-defense discretionary spending by \$143 billion over five years, including \$13.5 billion from the Veterans Affairs budget. It predicts that the budget deficit will decline from \$397 billion in 2005 to \$210 billion in 2010, but, as Sen. Kent Conrad (D-N.D.) has been pointing out, the deficit figures do not include the future costs of the Bush Administration's war policy, reform of the alternative minimum tax, or the privatization of Social Security. Instead of a deficit of \$210 billion in 2010, Conrad sees it growing steadily until it hits \$621 billion by 2015.

The spending cuts, both in mandatory programs and in discretionary programs, appear to serve little purpose beyond covering over the effects of the tax cuts of \$106 billion. The Democrats made mincemeat out of the GOP claim that the budget is going to cut the deficit in half by 2010, simply by citing a Congressional Budget Office report that concludes that the budget will actually add \$168 billion to deficit spending over those five years.

Conrad, speaking in the Senate, suggested that the problem is even worse, and he produced a chart that illustrates the problem rather clearly. The chart shows a decline in Federal spending between 1980 and 2000, from 24% of GDP to about 18%. Since 2000, spending has increased back to about 20% of GDP. Revenues, on the other had, were steady between 1985 and 1994, at about 17% to 18% of GDP, but they increased to about 21% of GDP by 2000. Since then, however, revenues have collapsed to 16% of GDP.

Escalating Deficits: An Inescapable Conclusion

Although this analysis does not present the total picture of the U.S. economic collapse, nor the fakery of government economic statistics, the inescapable conclusion is that tax cuts for the rich, combined with dramatically increased spending for wars and police state measures, do not lead to fiscal sanity, but rather to the \$400-billion-plus deficits we have now. The budget also calls for increasing the statutory debt ceiling by \$781 billion, to \$8.6 trillion. Once passed, that will mean that

the national debt has increased by \$3 trillion since President Bush has been in office.

What is left, of course, is a budget plan that reaps huge benefits for the wealthy interests that contribute to the Republican Party, while those who are elderly, poor, disabled, or ill have to make the sacrifices. Rep. Chet Edwards (D-Tex.) put it in language that the Republicans would not misunderstand: "No major religious faith," he said, "would ask the most from those who have the least, while asking the least from those who have the most. Yet, that is what this budget does." At the same time, the budget protects the proposed \$419 billion for the Defense Department, an increase of 5% over 2005, plus a \$50 billion reserve fund for the next expected Iraq war supplemental bill in 2006.

Still missing from the debate, is a discussion of what is a sane economic policy—a discussion, so far, provided only by *EIR* founder Lyndon LaRouche. As reported previously in *EIR* ("Republican Budget Resolutions in Search of a Dollar Blowout," by Paul Gallagher, April 22), the resolution outlaws precisely those measures that would be required for rebuilding the economy, including infrastructural development, a large part of the direction of, and funding for, which would have to come from government.

The LaRouche Youth Movement has been circulating large numbers of copies of LaRouche's "Recreate Our Economy" pamphlet, which includes his April 13 "Emergency Action by the Senate" memorandum, on Capitol Hill, and has been engaging in discussions with both Democrats and Republicans on the necessity of saving what's left of the machine tool capability in the U.S. economy.

The next steps in the budget process are now the annual appropriations bills, for which the budget resolution sets allocations, and the reconciliation process, under which the legislation to implement the mandatory program cuts will be written. The reconciliation process also will generate \$70 billion of the tax cuts that the budget plan calls for. If examined solely within the framework of the budget process, it appears that the budget has a good chance of being implemented as written, because under the budget rules, reconciliation bills cannot be filibustered in the Senate.

However, with the GOP fracturing on everything from Social Security privatization to John Bolton, the uncertainties surrounding the threat of Senate Majority Leader Bill Frist (R-Tenn.) to pull the trigger on the nuclear option, and the ongoing intervention into the Congress by the LaRouche Youth Movement, anything could happen between now and September, when the reconciliation bills are to be reported out of the relevant committees.

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