

## PRIVATIZE AND POVERTIZE

# Bush's Lies on Social Security Could Cost Americans Trillions

by Paul Gallagher

Starting with a Dec. 6 meeting with Congressmen, President George W. Bush began a drive to privatize and loot some or all of the \$125 trillion which American workers are scheduled to contribute to Social Security over the next 70 years, proving himself a liar in his repeated campaign promises that he would “not touch the benefits of America’s retirees.” Reports from the meeting show that the unfortunate President insists on pushing all or most of those payroll contributions into private individual retirement accounts, destined to fill up Wall Street sinkholes, just like the recent years’ disappearing *401k* private retirement pensions which Americans now ruefully call their “*201ks*.”

Cheney and Bush plan to make the announced Dec. 15-16 “White House economic summit” into a stealing summit, by ignoring the dollar’s collapse, and focussing instead on Social Security privatization and new tax cuts for corporations and the wealthy.

Compounding his campaign lies that he would not loot Social Security benefits, Bush now peddles an even bigger falsehood: that Social Security is bankrupt. Press spokesman Scott McClellan, at the Dec. 6 White House briefing, repeatedly told the press a completely irresponsible whopper, that the Social Security fund will be \$10 trillion in deficit at some indefinite future epoch “if we do nothing.” There is not the most remote basis for this “straw man” claim—an asteroid will hit the Earth first—except that if it’s believed, anything Bush does to wreck Social Security looks good by comparison.

McClellan did not bat an eye when reporters referred to Bush’s plan as “privatization,” the same term Dick Cheney and Commerce Secretary Don Evans heatedly denied on Oct. 19 after John Kerry nailed the President on it. And McClellan

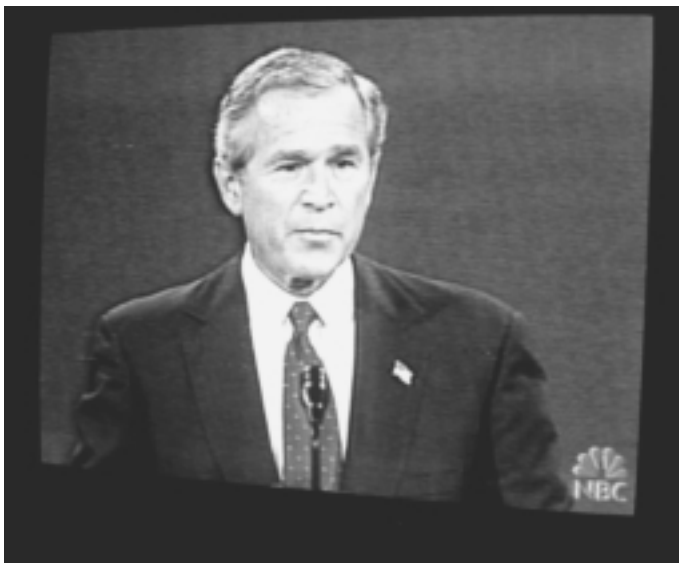
announced at the briefing, that while diverting the Social Security payroll contributions of “younger workers” into private Wall Street-managed accounts, the Bush Administration intends to have the Treasury *borrow the money to pay current and near-future retirees*—on Wall Street!

That borrowing bubble could run to \$4.7 trillion over the next 20 years or so—according to one estimate by the White House Council of Economic Advisors (CEA)—adding \$150-200 billion a year to Federal borrowing, and running up the U.S. debt/GDP ratio by 23 percentage points. But in fact, the scheme, if enacted, could collapse and “povertize” the Social Security system entirely, as in Bush’s great model, Chile, where half of all retirees now get only welfare-level payments.

Compare this radical Wall Street gambling scheme with Bush’s standard, much-repeated claims during the campaign; for example, on Oct. 19, in Florida: “In a new term, we’ll take the next step toward building an ownership society by strengthening Social Security. Now, let me remind you of something that took place in the 2000 campaign. They said in those political ads that if George W. gets elected, our seniors will not get their Social Security checks. You might remember those ads. I want you to remind your friends and neighbors they got their checks. Nobody is going to take away the checks of those who are now on Social Security. And Baby Boomers like me, we’re in pretty good shape when it comes to Social Security.”

Bush’s lies and his policy on Social Security—as on economic matters more broadly—are an incompetent disaster.

President Franklin Roosevelt’s Social Security program is often called—even by some of those who want to do away with it—the most successful government program in human



*The Tempe, Arizona Presidential debate was one of dozens of occasions on which President Bush lied about his intention to loot the Social Security fund for Wall Street. Not so accidentally, J. Kenneth Blackwell (right), Ohio chief of elections (and of Bush's campaign) who oversaw vote suppression throughout that state to re-elect Bush, was active in developing the Social Security privatization schemes Bush is now openly pushing.*

history. Guided by the General Welfare principle of the United States Constitution, FDR created a universal retirement *insurance* policy—not a *speculative investment* plan—at very modest cost, one which will soon have worked with great success for a century, despite illegal looting of the Trust Fund for decades to pay for general Federal budget deficits—more than \$500 billion looted this way on George W. Bush's watch.

Now, an alliance of neo-conservative forces who hate everything FDR stood for and did, is claiming the mission of “strengthening” his Social Security program! “They came to bury Social Security, not to save it,” as *New York Times* columnist Paul Krugman observed on Dec. 7, after the White House meeting. Wall Street simply wants that money, the flow of workers' contributions totalling half a trillion dollars a year, to burn up in speculation.

The center of the Wall Street conspiracy Bush is now lying for, is the Project on Social Security Privatization and “Social Security Choice” task force of the Cato Institute, a radical-right government-hating “think-tank” pushing elimination-by-privatization of Social Security since 1995. Cato's wreck-Social-Security team includes José Piñero, architect of the Chile privatization; Mont Pelerin Society no-government ideologue and Nobel Prize winner Gary Becker; and Michael Tanner, who wrote Cato's “6.2% Solution,” which means diverting the *entire* 6.2% worker's Social Security payroll tax into a personal stock-and-bond account. Cato's scheme, after a few trial years of such “choice,” then would make the private accounts *mandatory*, in place of Social Security, for workers born after 1954.

And who else should show up in Cato's down-with-Social-Security task force? J. Kenneth Blackwell, Ohio's now-

notorious Secretary of State, Bush campaign chairman, *and* elections chief, who oversaw large-scale vote suppression in Ohio's minority districts in particular, to assist Bush's thus-tainted victory in that state. Blackwell's “angle” is to lure Black elected officials on the idea that Black Americans, with a five-years-shorter life expectancy, get less out of Social Security than whites, and need a private account instead to leave to their children. The idea is discredited by the decline or loss of Americans' 401ks and IRAs in the Enron, etc. and NASDAQ debacles; but Bush invited several Democrats of the Congressional Black Caucus to his Dec. 6 meeting with Congressmen.

Reports from that meeting were that the White House was pushing a payroll-tax diversion of at least 4%. Bush and CEA head Gregory Mankiw insisted on borrowing—as opposed to any increase of tax rates or taxable income—to meet the trillions in payments to early 21st-Century retirees that would go missing right away in such a scheme—what are euphemistically called “the transition costs.”

This debt-balloon strategy showed the “taxation is against my religion” lunacy of the President. McClellan hammered away at this at the Dec. 6 briefing, after announcing the mega-borrowing scheme: “I think you should go back and look at the President's principles. The President's principles are very clear. . . . There are some that have different ideas from us. We want to talk to them about those ideas, but the President's principles are very clear and he remains firmly committed to those principles, and one of those principles is not increasing taxes. . . . The President's principles have been spelled out publicly. Members know what those principles are.”

The multi-trillion Federal borrowing strategy reportedly made many of the Congressmen—Republicans included—

somewhat seasick. After all, they are supposed to be practicing “strict fiscal responsibility” since Election Day. The *Los Angeles Times* reported that House enforcer Tom DeLay would rather not try “strengthening” Social Security right away on these terms, especially since Republicans know they have no credibility at all on the matter.

## Kerry Nailed Bush

In the third Presidential debate, in Arizona on Oct. 13, Sen. John Kerry responded to Bush’s denial that he would loot Social Security, by citing some of the crucial evidence that Bush was for a disastrous privatization of the system, as is now clear. Moderator Robert Schieffer of CBS-TV asked Bush, “The critics are saying [private accounts are] going to mean finding \$1 trillion over the next ten years to continue paying benefits as those accounts are being set up. So where do you get the money?”

**Bush:** First, let me make sure that every senior listening today understands that when we’re talking about reforming Social Security, that they’ll still get their checks. . . . There is a problem for our youngsters, a real problem. And if we don’t act today, the problem will be valued in the trillions. And so I think we need to think differently. We’ll honor our commitment to our seniors. But for our children and our grandchildren, we need to have a different strategy. . . .

I believe that younger workers ought to be allowed to take some of their own money and put it in a personal savings account, because I understand that they need to get better rates of return than the rates of return being given in the current Social Security trust. And the compounding rate of interest effect will make it more likely that the Social Security system is solvent for our children and our grandchildren. . . .

And we’re of course going to have to consider the costs. But I want to warn my fellow citizens: The cost of doing nothing, the cost of saying the current system is OK, far exceeds the costs of trying to make sure we save the system for our children.

**Schieffer:** Senator Kerry?

**Kerry:** You just heard the President say that young people ought to be able to take money out of Social Security and put it in their own accounts. Now, my fellow Americans, that’s an invitation to disaster.

The CBO said very clearly that if you were to adopt the President’s plan, there would be a \$2 trillion hole in Social Security, because today’s workers pay in to the system for today’s retirees. And the CBO said—that’s the Congressional Budget Office; it’s bipartisan—they said that there would have to be a cut in benefits of 25-40%.

Now, the President has never explained to America, ever—hasn’t done it tonight—where does the transitional money, that \$2 trillion, come from?

A few days later, when a *New York Times Magazine* article by Ron Suskind revealed that President Bush had told top Republican fundraisers he’d “move quickly” to privatize Social Security after the election, Kerry pressed the issue. An Oct. 18 CNN online article reported, “Democratic presidential nominee John Kerry seized on a report Sunday that President Bush would seek to quickly privatize Social Security in a second term. Kerry insisted such a move would be ‘a disaster for America’s middle class.’

“Bush ‘has never used the word privatization,’ a Republican campaign official said, accusing Kerry of trying to ‘scare seniors.’ . . . Commerce Secretary Don Evans argued the Kerry campaign was misrepresenting the facts. . . . Asked [if] Bush’s plan could cost \$2 trillion, Evans replied, ‘They don’t know that. I mean, that’s just a number, you know, they’re drawing out of the air.’ ”

Speaking on CNN’s Late Edition on Oct. 17, Republican National Committee chair Ed Gillespie also insisted that Bush “never said that” he would privatize Social Security.

## LaRouche: Is This the Idiocy You Voted For?

Immediately after the election, Bush has proved that Kerry’s charges and Suskind’s revelation were true; Bush was lying, and wants to fully privatize Social Security, with disastrous consequences. At this point, the President’s small obsessions about a domestic-policy legacy—“the ownership society”—directly intersect and worsen the collapse of the U.S. dollar which he so serenely ignores. The Dec. 15 “economic summit” will be a turning-point in that downward plunge.

Former Democratic Presidential candidate Lyndon LaRouche said on Dec. 5, that if the flow of Social Security contributions from current young workers is diverted, as Bush plans to do—on a compulsory basis—then the government does not have the money to meet the Social Security needs currently. What Bush is proposing to do, is to take the money that is supposed to go to the Social Security Trust Fund, and divert it to private investment sharks. That means that some Social Security contributions immediately won’t be there, and Social Security checks won’t be paid, Bush’s claims to the contrary. Didn’t Americans learn anything, LaRouche asked, from the massive *401k* losses when the IT bubble wiped out “private retirement funds”? (One-third of older Americans with *401k* retirement accounts told a recent survey that they did not know when they could retire, due to the losses of their pension funds.)

LaRouche called Bush’s Wall Street diversion stealing; and making it compulsory, as the Bush plan would do, will cause a catastrophe for those counting on Social Security, and for the whole economy. Measuring the magnitude of this pension theft against Bush’s statements—not once, but dozens of times—denying that he would ever do precisely what he is now doing to loot the Social Security of the nation, people are going to say, “I didn’t vote for *that*; I didn’t vote for such a thing!” LaRouche concluded. And the Republicans are very worried about that kind of reaction.