

Politicians to Retirees: 'Learn to Live with Less'

Bipartisan Fervor to Whack the Old Folks

by William Greider

An appalling consensus has developed among Washington elites: they tell themselves cutting Social Security is a slam-dunk. If the two parties will hold hands and act together, they reason, voters can't blame either one. When Washington players talk up "bipartisan compromise," it usually means the people are about to get screwed.

The Attack on Social Security and the Fight to Save It . . . Pages 7-10

It's part of the new austerity—American-style. We'll all have to learn to live with less, we're told, in order to reduce America's swollen federal deficits. So we'll whack Social Security benefits, dump school teachers and other state employees, and suppress wages by accepting high unemployment.

Barack Obama is actively collaborating with this conservative ploy. He created a presidential commission on deficit reduction, stacked with conservative deficit hawks from both parties. They will not reveal their recommendations until after this fall's election—too late for voters to push back.

Obama is playing coy himself, but his aides have made clear his intentions. Social Security is the sacrificial lamb. It will be offered up to Republicans to get them to make a deal on taxes. The tax cuts for the wealthy enacted in the Bush era are set to expire, but Republicans and many Democrats are loath to let that happen.

The crude logic of deficit reduction is that Washington can't aid state and local governments unless it cuts money somewhere else. This sounds a lot like what the International Monetary Fund does to poor countries in financial trouble.

THE MEDIA LIES

The reporting in major media is factually distorted and one-sided, leaving some people confused whether Social Security contributes to the federal bud-



Richard Levine/Alamy

get deficits. It doesn't. Union members tell Congress to keep hands off Social Security. Events all over the country celebrated the program's 75th anniversary, part of a groundswell to defend it against cuts.

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Social Security operates its own separate trust fund which has amassed a huge surplus—money paid in by workers every paycheck. The social insurance system is separate from government, and workers are the true beneficiaries.

Thanks to the increased FICA deductions enacted 25 years ago, American workers have saved vast wealth to pay for their retirement benefits in advance. The present surplus is \$2.3 trillion and will grow to \$4.2 trillion by 2024.

You might ask your local newspaper why these huge surpluses are never mentioned when fiscal experts are quoted on "entitlement reform." In reality, Social Security spending has never contributed a dime to the federal deficits, and cutting Social Security benefits would have no impact whatever on reducing the deficit.

The members of Obama's deficit commission know these facts, and so do the many think-tanks targeting Social Security. When they talk up its "crisis,"

they mean a problem that won't arise for 27 years, when the trust fund will experience a moderate shortfall. As Obama explained in his campaign, that problem can be fixed with a few modest adjustments—not the wholesale gutting the "fiscal experts" recommend.

THE NEW AUSTERITY

The establishment's real objective is to reassure creditors worldwide by demonstrating that the U.S. is willing to trim away the social benefits and middle-class expectations created by generations of reform.

If the political system succeeds in whacking Social Security now (when it isn't a problem), it will do so again and again, while also stripping away other hard-won public programs that benefit the broad population.

Social Security, in other words, is a political test case for the "new austerity."

The same conservative experts will keep repeating the mantra that "we" can't afford for blue-collar workers to be

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'Social Security is Going Broke'...and Other Lies

The Big Lie technique is working. Polls show that six out of 10 Americans who aren't yet retired think Social Security won't be there for them. Youngest workers are the most pessimistic. And more than half of current retirees predict their benefits will be cut.

When your co-workers tell you Social Security is a bankrupt lost cause, set them straight. Here are the facts.

Lie #1: Social Security is going broke.

Fact: Congress planned ahead in 1983 for the retirement of the baby boomers. The system has been collecting extra payroll taxes since then. For example, in 2008 Social Security took in \$49 billion more in payroll taxes and \$131 billion more in interest and other income than it paid out in benefits and expenses.

That foresight has enabled Social Security to amass a \$2.3 trillion surplus now, and by 2024, the surplus will peak at \$4.2 trillion. There's plenty to keep paying benefits with no cuts for decades.

As MoveOn says, "Any politician who insists Social Security is broke probably wants to break it themselves."

True, the baby boomers will eventually create a strain: beginning in 2037, the surplus will dry up, and Social Security's revenues will only be enough to pay 78 percent of scheduled benefits. But that shortfall is easily fixable—read on.

Lie #2: We must cut benefits today if we want to have any money left for our kids.

Fact: There's an easy and equitable solution: make high earners pay their fair share. Today, most workers pay the 6.2 percent FICA tax on their entire incomes. But the fortunate ones—roughly the top 6 percent of earners—pay FICA only on their first \$106,800. Eliminate that cap, keep their benefits the same, and we'd end up with another surplus after 2037.

In a July Gallup poll, two-thirds thought abolishing the cap was a good idea, including a majority of Republicans. Doing so seems especially fair because in recent years those at the top are just about the only ones whose income has increased—and the only ones whose life expectancy is going up, too.

In that same poll, 63 percent thought raising the retirement age was a bad idea.

One other revenue source: put a tax of just half of 1 percent on each stock transaction. That would cut down on Wall Street speculation and produce enough money to make Social Security solvent for the next 75 years—and raise benefits, too.

Lie #3: The government has raided the Social Security Trust Fund to pay for other programs; there's nothing left but IOUs.

Fact: The trust fund contains interest-bearing U.S. Treasury Bonds, generally considered the safest investment in the world, backed by the "full faith and credit of the United States."

Lie #4: Nobody relies on Social Security anyway.

Fact: The biggest whopper yet. Nearly two out of three seniors depend on Social Security for more than half their income, and for 14 percent of seniors it's their only income. It's obvious how important Social Security is to keeping people out of poverty.

Social Security is especially crucial for women: for half of elderly unmarried women and widows, it provides more than 90 percent of their income. And that's with women's average annual benefit only \$11,000!

It's worth mentioning that retirees and those nearing retirement have been the primary victims of the economic collapse that began two years ago: they've lost more than \$10 trillion in the value of their houses and stocks—which they don't have years to recoup. Attacking these folks' Social Security would be a double whammy.

Lie #5: Social Security payments add to the federal budget deficit.

Fact: By law, Social Security must pay its own way. It has its own Trust Fund separate from the federal budget. See page 10.

Lie #6: There's nothing we can do to stop Congress from messing with Social Security.

Fact: In 2005 unions and a host of other organizations mobilized to stop George W. Bush and his friends on Wall Street from throwing Social Security's money into the stock market (how's that idea looking today?)—and succeeded.

We're doing it again—big coalitions have formed to fight back. See strengthensocialsecurity.org.



Jim West/jimwestphoto.com

Social Security is the only income for 14 percent of seniors. For half of elderly unmarried women and widows, it provides more than 90 percent of income.

Too many people have too big a stake in Social Security to let it be the sacrificial lamb in a new austerity offensive. This year 52.7 million people, or about one out of four families, received benefits, including retirees, the disabled, and survivors, including children. □

—Jane Slaughter

[Sources: Gallup Poll, Economic Opportunity Institute, Congressional Research Service, Social Security Administration, AFL-CIO, Center for Economic and Policy Research, National Academy of Social Insurance]

The Attack

According to politicians and pundits across the spectrum, the biggest economic threat to the country is not the suffering of millions of unemployed people but the specter of ballooning federal debt. (Deficits are the shortfalls in any given year, debt is the grand total.) Why this sudden obsession with government debt?

Renewed concern in Washington over the federal debt is a sort of victory lap for the bankers.

Two years ago the government saved Wall Street from certain collapse with \$2 trillion in bailouts—all of which added to the government's tab. Now Wall Street is saying the deficit is dangerous and needs to be paid down—by us.

They say a big deficit makes investors (themselves) nervous. Might the government default on its bonds? They need a show of good faith if they are going to keep lending to Uncle Sam.

But the real reason the bankers are mounting a huge scare campaign is that they see a bipartisan opportunity.

The plan is to convince enough politicians, who are usually eager to listen to Wall Street, that the way to cut the deficit is to chop the programs that don't benefit big business. Those turn out to be ones that working people need. They are also keen to

Who Pays to Save Social Security? Us or Them?

by Jane Slaughter

Social Security is quite healthy now—but it will need more cash eventually. Who should pony up? The vast majority of working Americans, suddenly forced to work through what they'd been promised would be their golden years? Or the biggest earners, the top 6 percent?

That's the choice at the heart of the current debate.

If we let Congress choose to gouge workers, we can be sure that everything else will be up for grabs as well. Social Security until very recently was called the "third rail" of U.S. politics—no politician dared touch it. If they find out they can take away grandma and grandpa's hard-earned nest egg, both politicians and employers will be emboldened to test what else they can steal.

ALL FOR

The fervor to cut is "not a partisan issue," says Laura Markhardt of the Alliance of Retired Americans (ARA), an AFL-CIO affiliate. "Many, many Democrats are saying, this is one of our options."

Why cut now, if Social Security will



Richard Levine/Alamy

PRIVATIZATION?

Labor and allies defeated George Bush's privatization drive in 2005. Today, many Democrats are speaking out boldly against privatization of Social Security—though it's not even on the table. The pronouncements seem to be a way to sidestep how they'll vote on the real question coming up in December—whether to raise the retirement age.

be fine for decades?

"They say, if you wait longer, the

problem becomes harder to solve," explains Maya Rockey Moore of the National Committee to Preserve Social Security and Medicare. "They say it's best to do it when you have friends in the White House and in Congress."

Clearly, those who want a secure retirement can't count on these friends (who don't seem to read the polls showing their constituents don't want cuts) this time around. The question is how hard the groups—including unions—who toiled for the Democrats in 2008 will fight the commission's proposals.

The AFL-CIO has said the right things but appears more focused on its jobs proposals than on Social Security. (Getting people back to work would indeed pump more money into the program.) Rich Trumka is surely under pressure from the White House to be a team player.

Asked whether union leaders were more hesitant to criticize a Democratic president and Congress than they were in 2005 when George Bush was the bad guy, Markhardt said, "It definitely is a different sort of vibe this time

around. At first there was some caution and waiting to see what would happen. But after some of the preliminary discussions of the Deficit Commission, people said it was time to rally the troops."

SHINE A LIGHT

Mark Dudzic of the Labor Campaign for Single Payer believes "if we can make this an issue in the election campaign between now and November we can defeat a giveback. All these forces are conspiring to make this an inside deal that happens after the election. We can shine the sun on it."

There's plenty of thievery to bring into the light. Just look at the Deficit Commission's favorite proposal right now: raising the retirement age.

Rockey Moore points out that this would take away proportionately more benefits from people with shorter life expectancies. Those who die younger "tend to be lower income, less educated, and racial and ethnic minorities," Rocky Moore said. "With a higher retirement age, a transfer of wealth takes place, from those groups to those

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of the Killer Deficit?

avoid discussing the other half of the equation—the revenue side—since raising taxes on the wealthy (themselves) would be another way to balance the budget.

Why tax the rich or cut military spending when you can strong-arm elected officials into laying off public employees, or cutting bus service or health care for the elderly?

IS IT A PROBLEM?

How big a problem is the deficit, in reality? You hear Tea Partiers say, "I have to balance my checkbook every month, why shouldn't the government?" The analogy is dead wrong, unless you've never used a credit card, taken out a student or car loan, or had a mortgage. Like the government, almost everyone uses debt—and lots more of it relatively speaking—to buy now and pay later.

But with most of the country maxed out, how do we make sure the federal government doesn't follow suit?

It's true that government debt as a percentage of economic activity (GDP) has risen sharply since the recession began in 2007. But that is largely because of two wars, falling revenue thanks to the Bush tax cuts, and the economic collapse itself, which meant less tax revenue coming in. The deficit was further increased by the bailouts and the stimulus, Washington's extraordinary measure to ward

off another Great Depression.

Will red ink choke the life out of our economy? It depends. All government spending is not equal. Issuing bonds in order to kill people in Afghanistan doesn't add to the national productivity. Neither did the bank bailout, as it turns out, since the bankers have been sitting on a mountain of cash and not lending much. But if the government spends on infrastructure or education or health care, those things increase the country's economic potential and our productivity. Debt created by smart spending like this actually becomes easier to pay back later, as productivity grows.

It's as if someone went into debt to pay for medical school. Yes, she'd be in debt, but not because she's a slacker. She'll make the loans back and more once she starts practicing medicine. But if she maxes out credit cards to play the slots, she has nothing to show for her debt but debt.

If the bankers want to argue over how the federal government spends its money, game on. The U.S. deficit is swelling with far too much spending that doesn't make ordinary people healthy, well-educated, and well taken care of. If we go down that road, everything has to be on the table, including making sure that those who've made out like bandits for the last 30 years pay their fair share.

—Mark Brenner

Social Security: Bipartisan Fervor to Whack Retirees

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paid middle-class wages anymore (thus the 50 percent wage cuts at the car companies bailed out by the government). “We” can’t afford to pay public employees a decent wage or pension anymore.

“We”—we’re all in this together—have to tighten our belts to make up for our irresponsible spending on ourselves during better times. “We” were so reckless that even the old will have to suffer. The more the public buys the notion that there is no money there, the less likely they are to resist the takeaways.

RED INK FOR A REASON

The origins of the feds’ red ink are not a mystery, though. Deficits have soared because of tax cuts for the wealthy and corporations, fighting two wars on borrowed money, the deep recession that has savaged tax revenue, and the long-term consequences of trade deficits and deindustrialization.

But taking on those issues would require politicians to challenge the most powerful interests. That’s why they think it’s easier to whack old people, and hope future retirees who are the real victims won’t notice.

If political elites get away with raising the retirement age or cutting benefits some other way, it would represent a historic bait-and-switch swindle.

For the last generation, everyone has paid higher payroll taxes to prepare for when the baby boomers retire. Now we are told the country can’t afford it. In

fact, if modest adjustments are made any time in the next 30 years, the system will be sound for the next 75 years.

Here’s what happened to your paycheck deductions. The federal government has borrowed trillions from the Social Security Trust Fund and spent it on other things (like wars and tax cuts). Some right-wingers claim the Social Security surpluses no longer exist, but that’s not true.

Eighty-five percent of Americans are opposed to reducing Social Security benefits to address the deficit.

When the government borrowed from the trust fund, it issued IOUs that are the legal equivalent of interest-paying Treasury bonds, backed by the “full faith and credit” of the United States. By cutting benefits now, some right-wing politicians imagine they can get out of repaying the government’s debts to workers—a slow-motion swindle.

Look at it this way: American workers are collectively the government’s largest creditor, even larger than China. We know the U.S. would not dare default on China. Washington better not try to stiff America’s own workforce.

MOBILIZE QUICKLY

Our side can win this fight if we mobilize quickly and smartly. Whatever Washington claims to believe, the peo-

ple have their own consensus about Social Security, shared by both young and old, left and right. Americans are overwhelmingly opposed (85 percent in an AARP poll) to reducing Social Security benefits to address the deficit. A strong majority (65 percent) thinks Social Security benefits should now be increased, given everything else that has happened to people.

The political problem is, how do we make the people’s will felt if neither party is willing to stand up for it? One answer, developed by a galaxy of labor and progressive groups, is to confront individual members of Congress, Republicans as well as Democrats, with a straightforward demand: Take the pledge. Hands off Social Security. Commit to vote against whatever benefit cuts the deficit commission dares to propose. See www.handsoffsocialsecurity.org.

If senators and representatives decline to sign the pledge, put them on the target list in this fall’s elections. MoveOn, Campaign for America’s Future, the Teamsters, and other organizations are actively collecting signatures. For more information, contact Alex Lawson at the Campaign for America’s Future, alex.lawson@gmail.com. □

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Who Pays?

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who are higher income, more educated, and not racial or ethnic minorities.”

It would also be “operating in a fantasy land,” Rockey Moore said, to think that older Americans who lose their jobs, now forced to work till 68 or 70, could find new ones.

Dudzić points out that cuts to Social Security also “open the door to privatization,” putting workers’ accounts in the hands of Wall Street, because cuts would weaken popular confidence that the program will be there for retirees.

“It plants the idea that Social Security can’t guarantee you can retire—you need to take care of yourself,” he said.

Privatization was, of course, George W. Bush’s big goal. □

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