

August 19, 2010



[New scientific discovery fuels muscle building](#)



[The Asian secret to strong, lush hair](#)



[\\$500K life insurance, no exam necessary](#)

This is the print preview: [Back to normal view](#) »

**David Coates**

Worrell Professor of Anglo-American Studies, Wake Forest University Department of Politics

Posted: August 18, 2010 11:19 PM

## The Looming Battle Over Social Security

"Social Security is not the trouble; it's just the target."

It would appear that there will be a new battle awaiting us on the other side of the mid-term elections -- as though we did not already have battles enough -- one about Social Security and its future.

Sections of the conservative movement have long wanted to privatize Social Security. Why? Because once privatized, their broker friends can make enormous amounts of money from the fees of a privatized system; and because while non-privatized, this great legacy of the New Deal stands as a shining example of government policy that actually works, so helping to undercut the claim that government programs never work. George W. Bush tried a softly-softly kind of semi-privatization in 2005, and failed. Tougher souls are now at it again, using the cover of "the deficit" to reopen the case for the erosion of Social Security. Unfortunately, this time a Democratic president seems to have taken the bait. In December, the bipartisan National Commission on Fiscal Responsibility and Reform that he called into existence in February, will report. The odds are that, given both the terms of reference and the composition of that commission, central to its report will be a proposed resetting of Social Security.

Now it may well be the case that Social Security does need resetting. As presently constituted, its programs do not give anywhere near enough money to low-earning American retirees. But a more generous Social Security net is hardly what conservatives have in their sights. On the contrary, they want a slimmer, meaner or entirely absent net because -- so they claim -- it is the generosity of the existing welfare net that drives federal spending, and federal spending is too high. Currently, as we know, federal spending is in significant deficit. Conservatives think that the deficit should be cut -- cut immediately and cut deeply -- and they will no doubt insist that curbs on Social Security spending be part of that cutting.

All of which means that Social Security as we know it will need to be actively defended in the

months ahead by those of us who deny the validity of the conservative claims and the desirability of the conservative goal. The question will be how? Perhaps in these four ways at least.

**1. By recognizing the seriousness of the conservative intent, and the depth of their determination this time to succeed**

Deconstructing Social Security has long been a central ambition of the Heritage Foundation and the Cato Institute -- the one a leading conservative and the other a leading libertarian think tank -- and, more sinisterly perhaps, of the less publicly known and more recently formed Peter J. Petersen Foundation. The National Commission on Fiscal Responsibility and Reform has been holding its meetings predominantly in private -- taking evidence some of which is publicly available -- but significantly, certain of its members chose to play a leading role in a major public event organized by the Petersen Foundation on April 28, the day after the Commission's opening meeting: the "2010 Fiscal Summit: America's Crisis and A Way Forward." The opening meeting and the summit were addressed by a string of deficit hawks. Ben Bernanke was there at the opening meeting. Robert Rubin was reportedly at the Petersen summit. So too were Bill Clinton, Peter Orszag and Alan Greenspan. John Podesta of the Center for American Progress and Lawrence Mishel of the Economic Policy Institute were also there, as the token alternative liberal voice. Time and again in the relevant literature published by Heritage and Cato, two assertions are treated as axiomatic. One is that the federal deficit is unsustainable, and in its present form represents generational theft (spending now for which our children and grandchildren will have to pick up the tab). The other is that the only forms of federal expenditure relevant to the deficit's size (and therefore to generational theft) are Medicare, Medicaid and Social Security. Defense spending does not figure in that linkage. Tax cuts hardly surface in the conversation at all. Nor in the long-term picture presented by the critics of federal spending, does TARP money and the stimulus package. All that we are hearing, over and over again, is a drum roll for entitlement reduction: entitlement cutbacks in health-care programs targeted at the old and the poor; and entitlement cutbacks for recipients of Social Security [- cutbacks that, at a minimum, would incrementally raise the retirement age to 70 and reduce benefits for wealthier recipients.

**2. By being extremely wary of the bipartisan commission and noting the threat posed by its composition and leadership.**

Nancy Altman and Eric Kingson have wondered aloud whether The National Commission on Fiscal Responsibility and Reform is actually "a Social Security death panel." It is a legitimate worry -- and one that we should share. The Commission's terms of reference are so wide as to leave no option off the table. Yet its Republican members are already on record as taking off the table any notion of tax increases or the expansion of government welfare programs; while the very title of the Commission surrenders the field to those who present government spending as inherently irresponsible and in need of reform. The president has been adamant in defending the width of the commission's remit and for including Social Security in its purview -- claiming that nothing was predetermined or pre-excluded -- and yet neither of the co-chairs whom he chose to appoint were in any sense neutral players in the long-standing campaign to deconstruct the publicly-financed pension scheme. On the contrary, Erskine Bowles has long been a champion of Social Security redesign. As Clinton's Chief of Staff, he was actually poised to make such a move on the very day the Monica Lewinsky affair broke -- bad timing from his point of view, if not from ours -- and in both of his subsequent unsuccessful Senate runs, his unfinished business of Social Security reform was high on his priority list. There are liberals on the commission, of course -- Andy Stern of SIEU for certain -- but the other co-chair does not happen to be one of them. Alan Simpson, the former Republican Senator, is also on record as saying that if the "Commission doesn't 'mess with Medicare, Medicaid and Social Security... America is going to be a second-rate power' in his lifetime (And he is already 64!)." [in Altman & Kingson ] Other panel members include Paul Ryan (no friend of an unreformed Social Security program) and the CEO of Honeywell (no balancing defense cuts are likely to come from him). The president might now be backpedaling -- accusing the Republicans of wanting to privatize Social Security in spite of their denials -- but the Commission was something

he triggered, and its terms of reference (and its leadership) were his to design. He created this monster in his enthusiasm for a new politics of bipartisanship, and we still read reports that, within the Commission, doing some kind of deal on Social Security will be easier than attempting to effect an equivalent deal on Medicare and Medicaid. An easier deal, maybe, but ease bought at what price? Likely a very high one, if we are not on our guard.

### **3. By refuting the claim that Social Security is a major driver of federal spending and will itself soon be insolvent**

Both legs of that claim need rapidly to be dismissed. Social Security is not a major burden on the public finances. Its scale is small: At 4.8 percent of GDP, it costs less than Medicare and Medicaid, and much the same as the military. Nor is it insolvent. On the contrary, over the years the funds flowing into the Social Security Trust Fund have far outstripped the funds being paid out. Momentarily, in the depth of the current recession, as unemployment soared and payroll taxes accordingly plummeted, more money went out than came in; but that temporary imbalance will be at most only a modest drain on the large accumulated surpluses in the fund that have built up over the years. On the most conservative of estimates of future economic growth rates, tax revenues flowing into the fund will be greater than pension funds being paid out until at least 2015: and the fund in total -- because of its accumulated surpluses -- will remain solvent until 2037, and pay partial benefits right through to 2085. (On more realistic growth projections, those dates go back still further in time, some of them indeed vanishing over the horizon.) Critics are quick to point out, of course, that down the years the trust fund's surpluses have been borrowed by the U.S. Treasury to finance expenditure without new taxation, so that in some real sense they are no longer there -- which rather suggests that, if there was a generational theft, it was one made by previous taxpayers on this generation of pensioners. But in truth the whole "generational theft" argument is a complete nonsense. If, in years to come, people dependent on Social Security have their pension financed by taxation, it will be taxation levied on people of their own generation, not on members of some future one. And if that occurs -- and it will unless the wilder elements in the conservative coalition manage to dismantle Social Security entirely -- generations to come will simply reproduce what has been the case ever since Social Security was created. People will pay taxes when working as though they were saving for their own old age, but in reality those taxes will pay the pensions of people currently in old age. Social Security is a Pay-As-You-Go pension system of a type common in the industrialized world. It works fine as long as each generation honors the contract underpinning it: to forego some consumption now (by paying taxes) and see that consumption taken up by the old, on the promise that when they themselves are old, the same contract between generations will be honored.

### **4. By recognizing and defending the underlying social contract now under threat**

For that is the underlying reality that the present hysteria about fiscal deficits does not even begin to address -- indeed the underlying reality that it helps systematically to obscure. Every day we live in a generational contract, whether we like it or not. We make rules as a political system -- and we hold dear to conventions as a society - that determine the distribution of consumption between the very young, the very old and the working adults in between. We don't send children down the mines any more. We expect working adults to sustain them. We don't let the old starve in Poor Houses as the Victorians did. We pay taxes as working adults to provide pensions for the adults who had sustained us when we were children. And the social contract in which we are embedded -- and of which Social Security is a key part -- extends to more than an agreement between generations. The Social Security contract is also one which we make collectively between the healthy and the sick, between the rich and the poor, and between genders and ethnic groups. Currently 7.8 million Americans receive Social Security because of disability, and another 6.4 million (mainly women) receive Social Security because of a premature loss of a wage-earning spouse. In general, women are more dependent than men on Social Security for the bulk of their pension income, because the participation of women in paid work in their adult years is much disturbed in our patriarchal society by child birth and family responsibilities. And the poor are more dependent on Social Security for their pensionable income than are the rich because, as working adults, they had less capacity to

supplement their payments into the Social Security Fund (the same payments as those made by the better-off ) with private savings and generous employer-provided pension schemes. Add to that the distribution of income between ethnic groups in our massively unequal America, and you come to this. There is something deeply offensive about a set of predominantly white, middle-aged and extremely rich men gathering in Washington to reconfigure the pension rights of less privileged Americans: black Americans, poor Americans and female Americans. If the rich and privileged have decided that contemporary America cannot afford to give decent pensions to all of us, let them set the example by cutting their own pensions first.

There are other debates to be had about the general issue of deficit cutting. Many of us outside the policy-loop remain convinced that the avoidance of a prolonged recession requires more stimulus-spending, not less. We think that this is no time to slash the federal deficit. We see value in not messing with Social Security, even if Alan Simpson does not. But if eventually cuts have to be made, then military expenditure (and our involvement in foreign wars) needs to be in the frame too: And if welfare is to be pared back as part of any federal retrenchment, then the conversation needs to focus on what really drives up health care costs in contemporary America. One way, after all, of spending less federal money on health-care for the poor is to reduce the number of the poor. Rising wages, a fairer income distribution, and the recreation of high-paying American jobs all need to be factored in. One thing, however, at least is clear. Chipping away at Social Security -- the one bit of the U.S. pension system that is currently not in deep financial trouble -- makes absolutely no sense at all. It is simply free-market Republicanism run amok.

*First posted, with full sources and footnotes, on [www.davidcoates.net](http://www.davidcoates.net)*