



The Republican War Against Social Security

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Most Americans have supported Social Security ever since it was enacted into law in 1935. Republican presidential nominee, Alf Landon, made the repeal of Social Security the main issue in the 1936 election, thus making the election a referendum on whether the American people wanted to keep or repeal Social Security. The response of the electorate was a massive vote in favor of keeping Social Security.

In 1983, conservatives launched a two-front war against Social Security, which has proven far more successful than anyone anticipated. The code name of the first assault was “*Achieving a Leninist Strategy*.” The co-authors of the plan were Stuart Butler (Cato Institute) and Peter Germanis (Heritage Foundation). This detailed plan for getting rid of the current Social Security system, was published in the Fall 1983 issue of the *Cato Journal*.

The plan, to get rid of the current Social Security system and replace it with a privatized system focused on the differing views of Karl Marx, author of *The Communist Manifesto*, and Vladimir Lenin, the [Russian communist](#) revolutionary, with regard to how to bring capitalism down. Marx believed that capitalism would inevitably collapse on its own, but Lenin did not want to wait. He wanted to mobilize an alliance to hasten the collapse.

Butler and Germanis drew an analogy between the best way to force an end to capitalism and the best way to ensure the collapse of the current Social Security system. They wrote:

As we contemplate basic reform of the Social Security system, we would do well to draw a few lessons from the Leninist strategy...It will be a long time before citizen indignation will cause radical change to take place. Therefore, if we are to achieve basic changes in the system, we must first prepare the political ground.

“Preparing the political ground,” involved a specific set of plans for bringing down the current Social Security system. The plan included “*guerrilla warfare against both the current Social Security system and the coalition that supports it*.” It also calls for the mobilization of the

various coalitions that stand to benefit from the privatization of Social Security. Almost every firm in the financial industry would benefit enormously if investment in private accounts becomes a reality. They would very much like a piece of the action with regard to investing Social Security contributions.

This plan was launched in 1983 and has been growing rapidly ever since. Thomas B. Edsall of the *Washington Post* wrote an excellent article in 2005 updating the progress of the movement. The article, "Conservatives Join Forces for Bush Plans," appeared in the February 13, 2005 issue of the *Post*. Edsall writes:

Just 22 years later the business alliance is fully on board...The campaign is being funded largely with money set aside by large corporations to influence the outcome of the Congressional debate...The number of conservative organizations supporting the privatization of Social Security, and the size of their bankroll for accomplishing the mission is staggering.

The other Republican assault against Social Security was the Social Security Amendments of 1983. This legislation, initiated by Ronald Reagan, laid the foundation for 30 years of using Social Security money for non-Social Security purposes and the depleting of the Social Security trust fund. Ronald Reagan and Alan Greenspan conspired in the early 1980s to alter Social Security in such a way that the government would be able to embezzle more than \$2.7 trillion in Social Security funds and use the money to finance Reagan's huge income tax cuts for the super rich, among other things.

Reagan needed a new source of revenue to replace the revenue lost as a result of his unaffordable income tax cuts. He wasn't about to rescind any of his income-tax cuts, but he had another idea. What about raising the payroll tax, and then channeling the new revenue to the general fund, from where it could be spent for other purposes? An increase in Social Security taxes would be easier to enact than a hike in income tax rates. Reagan's first step in implementing his strategy was to write to Congressional leaders. His letter, dated May 21, 1981, included the following:

As you know, the Social Security System is teetering on the edge of bankruptcy...in the decades ahead its unfunded obligations could run well into the trillions. Unless we in government are willing to act, a sword of Damocles will soon hang over the welfare of millions of our citizens.

But what Reagan wrote to Congressional leaders wasn't true. It would later be learned that it was a hoax, cooked up by Reagan and Greenspan, to increase general revenue. Social Security was definitely not "teetering on the edge of bankruptcy" in 1981. There would be major problems when the baby boomers began to retire in about 2010, but that was nearly three decades down the road. Why would they need to raise taxes 30 years before the money would be needed to pay benefits to the boomers? Reagan was crying "wolf."

Reagan appointed Alan Greenspan to head up a Commission on Social Security Reform, which soon became known as the Greenspan Commission on Social Security Reform. The Commission

released its findings and recommendations on January 1, 1983. Legislation to implement the Commission's recommendations was introduced almost immediately, and the bill was rushed through Congress in a record time of only three months. Greenspan was well rewarded for his role in selling the new legislation to Congress and the public. In 1987, Reagan nominated Greenspan as chairman of the Federal Reserve Board, one of the most coveted positions in Washington. Greenspan continued to serve in that capacity until January 31, 2006.

At the signing ceremony for the new legislation on April 20, 1983, Reagan described the new law as a great accomplishment for the American people. Reagan said:

This bill demonstrates for all time our nation's ironclad commitment to social security. It assures the elderly that America will always keep the promises made in troubled times a half century ago.

Instead of being a proud day for America, as Reagan suggested, April 20, 1983 has become a day of shame. The Social Security Amendments of 1983 laid the foundation for 30 years of federal embezzlement of Social Security money. The payroll tax hike of 1983 generated a total of \$2.7 trillion in surplus Social Security revenue. This surplus revenue was supposed to have been saved and invested in marketable U.S Treasury bonds that would be held in the trust fund until the baby boomers began to retire in about 2010. But not one dime of that money went to Social Security. The money was taken by the government and replaced with non-marketable government IOUs. These IOUs cannot be used to pay benefits, and they cannot be converted into cash. For all practical purposes, they are worthless.

In summary, the Republicans launched a two-front war against Social Security in 1983. The "Leninist plan" was a detailed blueprint for bringing down the current Social Security System. It called for guerilla warfare against the current system and its supporters. Billions of dollars have been spent on implementing the plan, and millions of Americans are now beginning to question the solvency of Social Security. This fear and uncertainty is likely to make confused Americans more willing to consider the need for reforming the system. At the same time, on the second front, every dollar of the \$2.7 trillion that is supposed to be in the trust fund for paying benefits to the boomers has been spent as general revenue. If the money had not been spent, and there really was \$2.7 trillion in marketable U.S. Treasury bonds in the trust fund, Social Security would have no immediate problems today. It would be able to pay full benefits for another 20 years. But the money is gone, and Social Security is now running permanent annual deficits.

If the Republicans win their war against Social Security, America is the big loser. Our democratic system will have lost its ability to deliver to the public what the majority of Americans want. Instead, minorities, with wealthy backers, will be able to impose their values on the majority. America will have been put on the auction block and sold to the highest bidder.