
Fiscal Policy

The fifth column hit Social Security

by Leif Johnson

The Reagan administration's Feb. 18 economic program contained two major policy commitments: to military defense and Social Security benefits. Why has the President made a politically and economically disastrous decision to cut Social Security? The evidence attests that a fifth column within the administration, coordinated by the Mont Pelerin Society and the Hoover Institution for War and Peace Studies—otherwise described as the “libertarian” right wing of the social democrats—manipulated the White House into that move.

The Mont Pelerin plan is to scrap the core of the Feb. 18 statement: “The President's program stresses two overriding priorities: sufficient budget resources must be provided to rebuild the nation's defense capacities; the Social Safety Net of income-security measures erected in the 1930s to protect the elderly (including cost-of-living protection for the elderly), unemployed, and poor, as well as veterans, must be maintained.”

On May 12, Secretary of Health and Human Services Richard Schweiker proposed a series of draconian Social Security cuts whose purpose had nothing to do with the fund's financial solvency, present or future. Maneuvering the President into breaking his commitment to one of his largest and most important constituencies would set a precedent. The military commitment would be the next Mont Pelerin target.

The President began the Social Security war on the winning side. He was the only candidate pledged to maintain Social Security. In the February report to the nation on economic policy, this commitment was not only reaffirmed but the report implied that declining inflation and renewed economic growth would keep Social Security intact through 1986, the last year of the projections.

As of that date, the Mont Pelerin group had won no firm concessions from the administration, although the major Social Security proposals for the Reagan transition team reportedly favored a phase-out of Social Security. Authorship of those proposals is claimed by Rita Ricardo Campbell of the Hoover Institution, wife of Hoover chief Glenn Campbell, a Canadian citizen who formerly headed the American branch of the Mont Pelerin Society. Mrs. Campbell, a direct descendant of Parson Malthus's mentor David Ricardo, succeeded in placing

her Hoover protégé Martin Anderson as Reagan's chief domestic policy adviser.

The first Mont Pelerin attack came on another flank. In early April the trustees of the Social Security Trust Fund made their annual report. By assuming the Paul Volcker-Mont. Pelerin inflation to be permanent, they projected the horrifying conclusion that for a worker entering the work force in 1980 and retiring by 2025, the average yearly retirement benefit would be over \$12,000. They also declared that the fund would be bankrupt by November 1982, a fallacious prediction that brought Stockman to the rooftops (see *EIR*, June 23).

In mid-April, Secretary Schweiker, the cabinet official responsible for the fund, put together a task force consisting of Stockman, Treasury Secretary Regan, Martin Anderson, Council of Economic Advisers chief Murray Weidenbaum, and officials from the Labor Department and Social Security Administration. Regan and Weidenbaum resigned when the President flatly refused to accept the Carter administration/Rita Ricardo Campbell proposal to increase the retirement-benefit age to 68 from the present 65. That left the task force in the hands of Anderson, Stockman, and Schweiker.

Although this group had reached a “consensus” by May 1, they did not present their proposals until May 11, one day before Schweiker was to propose the cuts to Congress and the nation. Anderson, Stockman, and Schweiker argued to the President that he had to make a bid to cut Social Security at that very moment, having just won congressional approval for the first set of budget cuts developed by Stockman. The task force managed to keep the President's top political advisers, Edwin Meese and James A. Baker III, unaware of their plans until the day before the Schweiker announcement.

Reagan had been ambushed.

Rep. J. J. Pickle (notorious for his witch-hunts against the Teamsters union), threatened to move with the proposals if the President didn't. Reagan's desire to maintain the momentum of his political initiatives made Pickle's blackmail all the more effective.

Led by the *Wall Street Journal*, the *New York Times*, the *Washington Post* and the *Baltimore Sun*, the nation's press bombarded the administration with the news that “the financial community” believed that the President would create massive budget deficits if he did not find more budget cuts *immediately*. Treasury borrowing to finance those deficits would in turn generate hyperinflationary pressure and wreck the economic recovery, the capstone of the administration's mandate.

The threat worked, at least in the short run. Now, the Stockman/Mont Pelerin group are preparing the cry that military expenditures required for the most technologically advanced national defense will blow out the economy, and the already inadequate Reagan military budget must be slashed.