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LaRouche: 'Don't let Wall Street do what it did to Orange County'

by Marianna Wertz

Former Democratic Presidential candidate Lyndon H. LaRouche, Jr., speaking as a policy adviser to the FDR-PAC political action committee, said on Jan. 6, "Don't let Wall Street do to Social Security, what it did to Orange County!" LaRouche's statement came as a response to the AFL-CIO's Jan. 6 Washington, D.C. press conference on Social Security, in which the labor federation, while opposing the plans of the majority of members of the 1994-96 Advisory Council on Social Security (ACSS) to privatize the nation's retirement fund, gave support to a proposal which allows the federal government to invest 40% of the federal Social Security Trust Fund in an index of the stock market.

Investing Social Security funds in a stock market index—a derivative, LaRouche said, would be the equivalent, on a national scale, of what Wall Street did to Orange County, California, which resulted in the nation's largest-ever municipal bankruptcy, in December 1994. The county, one of the wealthiest in the nation, descended into bankruptcy as the result of the seduction of its treasurer, Robert Citron, by Wall Street investment sharks, into speculation in derivatives instruments. The county sustained losses estimated at more than $1.6 billion.

LaRouche warned, "If you put the Social Security funds into the stock market, or into privatization of any form, you're going to loot it, which means that people are going to be deprived of their Social Security, and you're going to kill them. So, it's a murderous proposal, and must be opposed by anybody who's sane. This is a life or death issue, and tens of millions of Americans will die, as a result of privatization of Social Security in any form: The stock market form is one example of this. It's got to be stopped."

LaRouche's warning applies to all three reports released on Jan. 6 by the deeply divided ACSS. The two-volume, 752-page summary report will now go to President Clinton, who appointed the panel two years ago, and to the Congress, and will undoubtedly become one of the hottest potatoes on the national political agenda.

A honey pot for Wall Street

Just minutes after the release of the report, the AFL-CIO opened its press conference, featuring six of the ACSS's 13 members, those most closely aligned to labor's views. The main theme of the conference was how to stop Wall Street's plans to rake in tens of billions of dollars through this huge proposed privatization.

Indeed, Wall Street is drooling at the honey pot attached to the proposed privatization of the trust fund. Under the most radical proposal, the "personal security accounts plan," individual accounts would be created for Social Security recipients, who would invest those funds in whatever financial instruments they choose. Actuary David Langer, interviewed in the Jan. 7 *Washington Post,* estimates that under this plan, which is preferred by Wall Street, investment management and administrative fees could total $240 billion during 1998 to 2010.

Under the second, less-radical option proposed by the ACSS, the "individual accounts plan," Langer estimates the fees would total $75 billion in the same period.

New York Post financial columnist John Crudele, writing Jan. 7, counters, ironically, that the act of moving tens of billions of dollars out of government bonds and into the stock market, will itself start a spiral of interest rate rises and slower growth that will destroy the hugely overinflated market—which Crudele calls a "Ponzi scheme"—and the speculators with it.

Stop the 'pillage'

While proposing their own "Maintain Benefits" plan, which shares some of the worst aspects of the other two plans, but stops short of handing over the trust fund to private investment, the AFL-CIO leaders denounced Wall Street sharks for what AFL-CIO President John Sweeney recently called Wall Street's plans to "pillage" Social Security.

Gloria Johnson, AFL-CIO Executive Council member and president of the Coalition of Labor Union Women, said, "We know, when we feel someone's hand in our pocket, that we are probably getting our pocket picked. We will begin today to form a powerful coalition to dispatch this twin-headed monster supported by Wall Street and its right-wing 'think-tanks.' "

Gerald Shea, assistant for governmental affairs to Sweeney, said, "Some members of the [Advisory] Council

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want to make radical changes that would not only dismantle the system, but also divert funds into huge profits for Wall Street. In making our statements today, we do not impugn the motives of our colleagues on the Advisory Council, only their judgment. But we do take issue with the motives of the Wall Street firms that are already funding a public campaign on their behalf."

International Association of Machinists (IAM) President George Kourpias discussed his members' concerns: "What I'm hearing from workers and their families that I speak to, is that they are definitely feeling insecure about their retirement security. When they hear the proposals to privatize Social Security, they worry, because they don't have the time or the confidence they feel they would need to manage their own investment strategies. . . . And they're very concerned about becoming the prey to hordes of shyster consultants that are sure to follow any substantial diversion of Social Security funds into individual retirement accounts."

In a Jan. 8 interview with "EIR Talks," LaRouche urged every "patriotic, sane American" to support the AFL-CIO, and the Democratic Party, in their opposition to any attempt at privatizing Social Security.

'Piratizing'

As *EIR* has exposed (Oct. 11, 1996, p. 7), these proposals are in fact plans to "piratize" Social Security—to hand over up to $10 trillion from the Social Security Trust Fund, to Wall Street sharks and speculators. These pirates seek the funds as one of the last sources of revenue to shore up a collapsing worldwide financial bubble, while raking in $500 billion or more of profits in the process.

All three proposals cite the alleged need to make the fund more profitable for older Americans, but, as *EIR* documented, moving the trust fund from government bonds, the most secure paper in the world, into the floating crap game called the financial markets, will indeed end financial security for America's elderly.

In fact, former Social Security Commissioner Robert M. Ball, the leader of the AFL-CIO faction on the ACSS, admitted this in a back-handed way at the press conference, even as he pushed for 40% of the trust fund to be invested by the government in an index of stocks. While describing how this might work, he paused to note, "It would really take a major depression in investment in the stock market on the scale we're talking about, to create a problem. It could happen, but it's very unlikely."

This reporter raised the question as well with Gloria Johnson at the press conference, pointing to the fact that "both [Federal Reserve Board Chairman] Alan Greenspan and IMF [International Monetary Fund Managing Director Michel] Camdessus have warned about a systemic risk, not only of a stock market collapse, but a banking collapse"—about which LaRouche has repeatedly warned—and asking if the AFL-CIO will also educate its members about this.

Johnson replied, "As I announced today, we intend to go out and educate our members on this issue. And when there are other issues related to this, I'm sure that these will be included."

There is no real problem

The drive to privatize Social Security got its start with a typical big-lie scare campaign, begun more than two years ago and financed by Wall Street's leading firms, to convince Americans that Social Security was about to go bankrupt. The National Association of Manufacturers reiterated this lie on Jan. 6, in greeting the two ACSS reports that called for privatization: "Two of the three recommendations by the Advisory Council recognize that the current structure of Social Security isn't sustainable, and that's a step forward," said Paul Huard, senior vice president of NAM.

The truth is that there is no real problem with the Social Security System, as the AFL-CIO grouping on the ACSS panel reports: "We are concerned that much public discussion of the future of Social Security is based on misinformation about its financing. *Social Security is not facing a crisis.* The program, as currently structured and financed, and without changing a word of present law, can pay full benefits for another 30-plus years. After that, the reserves that are now accumulating in the program's trust funds would be used up, but there would still be an income stream from ongoing dedicated taxes, which would support about 75% of the cost of the program. Even 75 years from now, current-level taxes would cover about 70% of program costs."

It is to cover the full program costs, whose shortfall the report forecasts under *current financial conditions,* that the group turned to proposing such schemes as investment in derivatives.

However, the conditions which the report presumes are *abnormal,* reflecting post-industrial society policies, including a shrinking productive workforce relative to the elderly population. Were those trends reversed, by the type of economic reconstruction policies LaRouche has advocated, the Social Security Trust Fund could be made solvent without any recourse to risky stock market investments.

EIR raised this issue at the press conference with Gerald Shea. Asked whether the advisory council considered the underlying problem of the lack of productive employment in the economy, Shea said, "There is a broad question about economic conditions and the stagnation of wages in the country and lack of good employment. One of our major points here is, don't make that problem worse by threatening the retirement security system that now exists."

The AFL-CIO and its allies would be better served to intensify their fight against every attempt to put Social Security funds in the stock market, including the "Maintain Benefits" plan, than to support a risky scheme to "save" a Social Security system that doesn't need saving. The fight to stop Wall Street is, as LaRouche warns, a matter of life and death, or at least a question of relative security or destitution, for millions.