

# Attack on Social Security at Center of Obama 'Jobs' Plan

by Edward Spannaus

Sept. 12—Over half of President Obama's "American Jobs Act," presented with much bombast on Sept. 8 to a joint session of Congress, is an outright attack on Franklin Roosevelt's signature program, Social Security—which is to be carried out under the guise of "tax cuts" in both employee and employer payroll taxes. Thus, as in the case of Obama's "health reform," this new program is not a step toward economic recovery, but a giant step forward toward genocide against the nation's elderly and vulnerable.

As some leading Democratic politicians have told *EIR*, looting from the Social Security fund is actually the only substantial, predictable element of the entire smoke-and-mirrors plan!

According to the White House, \$240 billion of the \$447 billion proposal will come from reductions in the payroll tax which finances Social Security and Medicare. The employee portion of the payroll tax, already "temporarily" cut from 6% to 4% in 2011, will be further cut to 3% in 2012, and the employer portion will be cut in half for the first \$5 million in their payrolls.

The self-financing nature of Social Security through payroll taxes, was an integral element of President Franklin Roosevelt's plan for the program, which FDR hoped would ensure that "no damn politician can ever scrap my Social Security program." Cutting the payroll tax makes Social Security dependent on Congress's willingness to fund it from the general fund—and it

feeds the lie that Social Security is somehow a contributor to the budget deficit.

## No 'Social Security' Problem

Social Security's problem is not complicated, nor is it insoluble. The biggest problem, and in fact the only real problem, is the shrinking portion of the population that is gainfully employed. The percentage of the eligible population that should be—but is not—in the labor force, is at a 50-year low. Beyond the official unemployment figures, is the brutal reality that many millions of young people are never entering the labor force, and millions of older people are being forced to retire early because they cannot find work.

Don't believe the lies about retiring "Baby Boomers" bankrupting Social Security. We are in a global breakdown crisis, heading rapidly into a new Dark Age. The only solution? Reinstate Glass-Steagall, and put millions of people to productive work through massive infrastructure platform projects such as NAWAPA.

There is no "solvency" problem in Social Security that cannot be remedied by returning the United States to a full-employment economy, and relatively minor tweaking of the payroll tax by modest increases in the taxable-income level.

Even currently, with the employment situation at worse-than-depression levels, the interest on Social Security Trust Fund assets more than compensates for the shortfall in non-interest revenue (i.e., payroll taxes or



White House/Pete Souza

*Members of Congress appear depressed and clueless in this meeting with Obama on the economy and jobs. There's a simple solution: Fire Obama; bring back Glass-Steagall; save FDR's general welfare programs.*

the appropriations made in lieu thereof).

Obama, by making Social Security dependent on Congressional appropriations to make up the shortfall caused by his payroll tax cuts, is playing right into the “Ponzi scheme” hysteria being generated by Wall Street flunkies such as Texas Gov. Rick Perry (R). Obama has painted a huge bulls-eye on Social Security’s back, by making it dependent on the general fund, and therefore a “deficit factor”—which it is decidedly is not.

### **Death by a Thousand Cuts**

Reaction to Obama’s latest scheme was quick in coming. The National Committee to Preserve Social Security and Medicare, in a Sept. 8 statement, warned that Obama’s proposed payroll tax cut “threatens Social Security’s independence by forcing the program to compete for limited federal dollars from general revenues, and by breaking the link between contributions and benefits.” The National Committee points out that just months after being assured by the White House that the diversion of funds from Social Security would last for just one year, Obama is now asking Congress “to extend and even increase this diversion of payroll taxes for another year,” and it emphasizes:

“Doubling-down by also cutting employer contri-

butions greatly worsens the situation, and makes it even hard to restore the Social Security system to self-financing”—since there is no guarantee that Congress won’t be asked to extend it again and again, making it permanent. “This is death by a thousand cuts.”

Last December, when Obama made a deal with Republicans for a “temporary” payroll tax holiday, supporters of Social Security warned that Obama’s proposal mirrored a long-standing right-wing conservative plan to destroy Social Security. Former Congresswoman Barbara Kennelly, speaking for the National Committee,

charged that Obama’s scheme would promote the privatization of Social Security.

Nancy Altman, co-director of Social Security Works, pointed out that Franklin Roosevelt created Social Security as an insurance program, separate—and indeed fire-walled—from the general Treasury fund. She cited FDR’s statement that, “We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my Social Security program.”

Altman pointed out that for years, conservatives have been gunning for Social Security, trying to cut benefits, and ultimately privatize it. That Democrats allowed this proposal to get into Obama’s plan shows how little they understand about FDR’s program. “President Obama seems not to understand the program,” Altman added. The White House is treating the payroll tax holiday as a “concession” from Republicans, which, she notes, is sort of like the GOP saying, “Don’t throw me in that briar patch.”

Dean Baker of the Center for Economic and Policy Research pointed out that if the payroll tax holiday were allowed to expire, the Republicans would be screaming about a “tax increase”—just as they were

doing at the time with respect to the expiration of the Bush tax cuts. Altman amplified the point, by observing that this will be a Republican “make my day” moment, if Obama were to allow it to expire, and thus “increase” taxes.

*“There is no reason to do it this way,” Altman declared, “except as an assault on Social Security.”*

But last week, it was Obama himself who proclaimed, to the Joint Session of Congress: “If we allow that tax cut to expire—if we refuse to act—middle-class families will get hit with a tax increase at the worst possible time. We can’t let that happen. I know that some of you have sworn oaths to never raise any taxes on anyone for as long as you live. Now is not the time to carve out an exception and raise middle-class taxes, which is why you should pass this bill right away.”

## **Bipartisan Opposition**

While House Democratic leader Nancy Pelosi immediately backed Obama’s scheme, and a shocking number of Democratic constituency leaders have implicitly done the same, many Democrats have attacked Obama’s plan, and now a number of Republicans are saying they won’t support it as well, *The Hill* reports.

“It’s imperative that we do everything we can to put money in the pockets of consumers,” said Rep. Ted Deutch (D-Fla.), who vowed to continue the fight to kill the provision. “But there are a lot of ways to do it that [don’t] take from the funding stream for Social Security.” Rep. Peter DeFazio (D-Ore.) said that the latest Obama proposal “jeopardizes the future of Social Security, and we’d have to borrow more money to pay for it.”

“It is a horrible idea,” said Rep. Pete Sessions (R-Tex.), chairman of the National Republican Congressional Committee, who said it was wrong to diminish the amount Americans pay into Social Security at a time when the program is at risk of insolvency. Rep. James Lankford (R-Okla.) asked why Obama would propose cutting the payroll tax while at the same time he is acknowledging that entitlement programs needed to be put on a more solid footing. “He mentioned that we’ve got to have major reform, but then to cut some of the funding was an interesting surprise to me,” Lankford said. “If there’s any one area in cutting taxes that’s dangerous for us, it’s cutting Medicare and Social Security payments.”