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The skinny on Social Security

THE corporate media has been making a lot of noise lately about the so-called "Social Security crisis." And those in the alternative media have been assuring us that there is no crisis, based on interviews conducted with a plethora of economists both in government and academia. In truth, however, there really is a grave crisis facing Social Security. But it's not going "flat bust bankrupt" as President Bush warns, and as his policy wonks keep shrieking. The system is quite solvent. What Social Security is really facing is a full frontal assault by an ascending cadre of reactionary politicians who hope to scrap this nation's social contract with its citizens, ultimately Guatamalafying the U.S. economy.

This isn't a new threat. Since the administration of Franklin D. Roosevelt introduced Social Security in 1935 during the great depression, Social Darwinian conservatives have opposed the system. For 65 years they kept Social Security in their crosshairs, waiting for the right moment to pounce. With the ascendancy of Bush to the White House in 2000, with his 2004 election allowing him a claim of legitimacy to that ascendancy, and with neo-conservatives literally now able to get away with murder and plunder (of the federal treasury, for starters), they obviously felt the planets had finally lined up for them to make their move.

The war on Social Security is being sold to us as a "fix." The system is "broken" and needs repair, ultimately in the form of euthanasia. It's Weapons of Mass Destruction all over again. Saddam was gonna get our mommas with his supposed nukes unless we took immediate military action against the "impending Iraqi threat." I only bring this up here because the social security crisis is the sequel – equally contrived and equally fake. How does that Bushism go – fool me once...?

In Iraq, going back to the pre-war "status quo" and letting weapons inspectors do their work is impossible. The same is true with Social Security: once the system has been gutted, there will be no going back to our current system, even if we come to realize that we have made a horrible mistake.

The Jackpot

The real problem is that Social Security, like Iraq, is resource rich. The retirement system, by design, has been running a huge surplus. Its "oil" exists not under the ground, but in the form of government securities, currently valued at well over $1.5 trillion. The system's actuaries predict that Social Security will have $5.3 trillion in assets by 2018 – the year President Bush warns that the system will "hit an iceberg."

Put simply, this is the big booty jackpot. Left alone, it will be distributed to working people when they retire. If privatized, however, it will enrich investment bankers and brokerage houses while temporarily pumping up the stock market and corporate coffers. The ensuing rip-off will make Bush buddy Ken Lay's Enron debacle seem like a Kindergarten bubblegum heist. In a White House run by Halliburton and mortgaged to China, there's just no way the Bushistas can keep their hands off all this dough.

Here are the facts. Lots of Americans were born during the 15 or so years following the end of World War Two. We call this the baby boom. Boomers have demographically passed through time like a big fat rat flushed down the toilet, clogging public schools, colleges and ultimately the job market with their mass. The big fear is that ultimately when this demographic blip reaches retirement age in about ten years, they'll burst the Social Security pipeline and throw the system into ruin.

Social Security administrators, however, saw this blip coming a generation ago, and adjusted payroll taxes so that the payroll system would run a surplus – enough to support itself until the last of the baby boomers die of old age.

The numbers

Here are the numbers. Social Security's actuaries predict that beginning in 2018, the system's payroll taxes will cease to meet its expenses. At that time it will begin to supplement income by using interest from its $5.3 trillion nest egg of government bonds.

The actuaries predict that there will still be surplus interest income, pushing Social Security assets up to $6.6 trillion by 2028. In 2028, however, the combination of interest income and payroll taxes will begin to fall below the cost of paying out retirement benefits to baby boomers. The nonpartisan Congressional Budget Office estimates that this will actually occur sometime in the 2030s (President Bush, without citing a source for his estimates, claims this will occur in 2018).

At this point (2028 or later), Social Security will dig into the nest egg it built up specifically for the purpose of getting over this hump. The trustees, including a number of Bush administration cabinet officials, predict that this nest egg will be depleted in 2042. The Congressional Budget office predicts this will occur in 2052. At that point the system will not be "flat bust bankrupt," as the Bush team claims. To the contrary, it will still, unlike the rest of the federal government, be free from debt. And it will be taking in payroll taxes enough to payout about 73% of retiree benefits. This number drops to 68% by 2078, when the first of the baby boomers has his or her 138th birthday. This is the "crisis."

What does this mean? According to the Social Security Administration, even under this "system gone bust" scenario, future retirees, because of built-in progressive compounded cost of living increases, will receive a higher payment in inflation-adjusted dollars than current retirees receive. CBS' MarketWatch reports, for example, that a low-income retiree in 2080 would be scheduled to receive $19,906 in 2004 dollars, compared to $8,804 that someone in the same income strata received last year. If the system goes "bust," and that benefit was cut to a partial 68% payment, it would amount to $13,536 in 2004 dollars. The math works just as favorably for those in the highest income brackets who will receive larger payments in the "busted" system of the future than they do today.

The invisible fix

The shortfalls predicted for 2042, 2052 or 2078 could be easily avoided, however. The current Social Security tax is regressive in nature, meaning lower income people pay a higher portion of their incomes in taxes than do wealthy people, since the tax is only charged on wages earned up to $90,000. All wages earned above $90,000 are Social Security tax-free. Many studies show that if this bar were raised to $200,000, the system would run problem-free well into the 22nd century. Remove the bar altogether and payroll tax rates can be noticeably cut, or benefits increased. These options, of taxing rich people at the same rate as working people, however, are all but absent in the national debate about "fixing" Social Security.

The actuaries also based their estimates on a lethargic U.S. economic growth rate of 1.6%. Our actual economic growth rate through most of the 20th century was 2.3%. If this number were to hold up in the 21st century, there would be no shortfall. Likewise, the bush administration often assures us that their tax cuts will spur a growth rate of over 3%. If we're to believe their fuzzy math on economic growth, then there never will be a Social Security shortfall. Put simply, they just can't have it both ways and hope to maintain any semblance of credibility among people with calculators.

The Bush plan

Now let's look at the Bush plan. The Social Security actuaries estimate that under the Bush plan, system costs would exceed non-interest income beginning in 2006 – at which time we would need to start raiding the nest-egg for interest to meet current obligations. In other words, the start of the "crisis" would be advanced from 2028 or later to next year. They also report that, according to the Center on Budget and Policy Priorities, the various debts associated with privatizing the system would add $10 trillion to the federal debt by 2030. And guess what? The Bush plan translates into a 30% cut in guaranteed benefits when today's 25-year-olds come up for retirement. And if the stock market falls flat, there won't be any nest egg to shore up the system.

All this talk of privatization (or "personalization" to use the new poll-tested Bush administration newspeak) doesn't address the fundamental fact that Social Security, ultimately, is a social welfare program – not an Individual Retirement Account. The returns aren't supposed to be distributed solely based on contribution rates. They're supposed to guarantee a basic income for retired and disabled workers. And there's very little talk right now about the welfare of disabled workers, or the growing benefit gap between the rich and poor that privatization would exasperate. The fundamental social contract under which we have all grown up would be destroyed – and for no good reason other than to enrich a few Bush cronies and cut taxes further for the richest Americans.

The bottom line is that while there's a fabricated crisis and an all out attack on the most successful social program in history, there's no real crisis – not on the horizon and not 100 years from now. You wouldn't know this, however, watching the American corporate media. Fairness and Accuracy in Reporting (FAIR) points out that a recent New York Times article claims that Social Security is "about to come under intense financial strain from the aging of the Baby Boom generation and the increase in life expectancies." USA Today dutifully cited "Social Security's impending insolvency" as a rationale for privatization. The Washington Post reported that this supposed insolvency "will force future tax rates up alarmingly unless preparations are made now." And NPR reported, "No one would deny that Social Security is headed for a major crisis."

Of course they all obediently parroted the Weapons of Mass Destruction lines as well.