Democrats join attack on Social Security

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Two leading Democratic senators have announced a plan for restructuring Social Security which would provide for partial privatization of the retirement and disability system on which 35 million people now depend.

The proposal was unveiled by Senator Daniel Patrick Moynihan of New York in a speech Monday at Harvard University. Moynihan issued the proposal jointly with Senator Robert Kerrey, a Nebraska Democrat who ran in the presidential primaries in 1992 and is considered a potential presidential candidate in 2000.

The plan was given considerable attention by the media because Moynihan is the senior Democrat on the Senate Finance Committee, the panel which would review any restructuring of Social Security, and a leading Democratic Party spokesman on social benefits.

The longtime New York senator has played a key role in social policy for three decades, going back to his service in the Nixon administration, where he championed the initial retreat from the reformist promises of the “Great Society” policies of Lyndon Johnson.

The Moynihan-Kerrey plan combines measures proposed by congressional Republicans and by the Clinton White House, and thus represents a first draft of the kind of program which will be worked out on a bipartisan basis. It combines tax increases on working people, cuts in benefits for the elderly, and the provision for the first time that a portion of the Social Security payroll tax could be used to establish individual retirement accounts invested in the stock and money markets, instead of being paid into the Social Security Trust Fund.

Despite the professed concern that the Social Security System will run short of funds by the year 2030 because of demographic changes, especially the aging of the baby boom generation, Moynihan’s plan would actually reduce payroll taxes for workers and employers from 12.4 percent to 10.4 percent by 2001, a $700 billion tax reduction in payments to the Trust Fund. Workers could use the money reduced from payroll taxes to open retirement savings accounts, providing a sizeable influx of new cash into the stock and money markets.

Payroll taxes would remain at the lower rate until 2025 and then rise gradually to 13.4 percent by 2060. At the same time the amount of income subject to payroll tax would rise from $68,400 today to $97,500 by 2003. This would reduce by a small proportion the regressive character of the payroll tax, which takes a far higher proportion of the income of working people than it does of those with salaries in the six-figure range and higher.

While the tax increase is long-term, the benefit cuts would be substantial and immediate. The annual cost-of-living increases for recipients of Social Security and other indexed benefit programs would be reduced by a full percentage point each year, cutting $224 billion in Social Security outlays and $55 billion in other benefit programs over the next ten years.

The American old-age pension system is already inferior to those in most other industrialized countries, which generally permit retirement at age 55 or 60. The retirement age in the US is presently scheduled to rise from age 65 to age 67 by the year 2027. The Moynihan-Kerrey plan would move this date forward to 2016, and further increase the retirement age to 68 in 2023 and to 70 in 2073.

No less important than the specific provisions of the Moynihan-Kerrey plan is its political significance. It follows Clinton’s State of the Union speech, where he called for swift action on Social Security “reform,” and the House Republican proposal, released March 3, calling for the use of projected budget surpluses to establish individual retirement accounts for all Social Security taxpayers. Senate Republicans reportedly have discussed a cut in the Social Security payroll tax-50 percent of which would go directly to employers. The two Democrats incorporated elements of both Republican proposals into their plan.

The undermining of Social Security goes in step with a further attack on Medicare. The bipartisan national commission on Medicare began meeting March 6 under the joint chairmanship of Democratic Senator John Breaux of Louisiana and California Republican Congressman Bill Thomas. The panel was established as part of the 1997 budget agreement between the Clinton White House and the Republican leadership in Congress.

Like a series of other plans advanced to "reform" Social Security, the Moynihan-Kerrey plan takes as its point of departure a real demographic shift-the aging of the baby boom generation-and seeks to deal with its impact within the framework of the existing economic system, i.e., on the basis of the deepening gulf between rich and poor and the monopolization of wealth by a relative handful of corporate owners.

Under this scenario, as the baby boom generation begins retiring, the Social Security Trust Fund begins to shrink in 2011 and becomes exhausted in 2029, after which benefits would have to be paid on a pay-as-you-go basis, forcing a cut of at least 25 percent.

This approach is fraudulent on many levels. The demographic argument itself is full of holes, since the shift towards a larger population of elderly retirees is more than offset by a decrease in the proportion of children. According to a study by the Economic Policy Institute, the dependency ratio, that is, the ratio of children plus elderly to workers, will rise steadily to 2035, but even then will only be 84 percent of its level in 1960, at the height of the baby boom. Meanwhile economic output per capita will be twice or three times the level of 1960. Why then the need to cut retirement benefits?

The attack on Social Security is driven in reality by a much more short-range financial concern than the fate of the Trust Fund: it is the search for new sources of fuel for the stock market boom. The aim of both the crude enemies of Social Security like Newt Gingrich and the more sophisticated Moynihan and Kerrey is to pump hundreds of billions of dollars into Wall Street.

At the same time, there is a powerful ideological motivation. Social Security is the centerpiece of the social welfare system in the United States. No other program plays such a massive role, both in lifting tens of millions of people out of poverty-the most recent estimate is 37 million-and in raising public consciousness about the necessity for social solidarity and making provision, on a collective rather than individual basis, for those who are not able to provide for themselves.

The ultimate goal of the attacks on Social Security is to return working people to the dog-eat-dog individualism which prevailed in the America of a century ago, before the income tax, old-age pensions, child labor laws and all the other measures which restricted, to one extent or another, the unfettered operation of the capitalist market.