US central bank chief calls for cuts in Social Security

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Federal Reserve Board Chairman Alan Greenspan called for cutting the retirement benefits of the elderly in order to preserve and extend the Bush administration's tax cuts for the wealthy. The head of the US central bank made the proposal in testimony before a congressional committee Wednesday.

Greenspan's comments were a particularly brutal expression of the class divisions within American society. The multi-millionaire central banker insisted that it was better public policy to cut benefit levels and increase the age of eligibility for Social Security and Medicare—an action that would hurt millions of working people—rather than reverse tax cuts that overwhelmingly favor a thin layer of the super-rich.

The hearing before the House Budget Committee concerned the long-term financing of Social Security and Medicare, both of which are projected by government officials, on the basis of current population and economic trends, to face bankruptcy in the next 20 years.

Greenspan cited the impending retirement of the post-World War II generation, the 76 million born between 1946 and 1965, as a financial calamity. The oldest "baby-boomers" will become eligible for Social Security beginning in 2008.

"This dramatic demographic change is certain to place enormous demands on our nation's resources—demands we almost surely will be unable to meet unless action is taken," Greenspan told the committee. "I am just basically saying that we are over-committed at this stage. I believe that a thorough review of our spending commitments—and at least some adjustment in those commitments—is necessary for prudent policy."

Among the measures he suggested is ending the linking of Social Security benefits to the Consumer Price Index, which provides automatic annual raises to compensate for the rise in the cost of living, in favor of another index that would produce a lower estimate for the rate of inflation. He also suggested that the age of retirement, which is now 65 years and four months, and is scheduled to rise gradually to 67 years, should be increased even further.

Such measures are seen by the corporate and financial interests for which Greenspan speaks as only the starting point for an onslaught on Social Security, involving further cuts in benefits and extensions in the retirement age, and culminating in full-scale privatization and the destruction of any guaranteed retirement income for the elderly.

The Bush administration is already committed to privatization, supporting a plan to divert Social Security payroll taxes into the establishment of individual savings accounts that would be invested in the stock and money markets. White House spokesmen applauded Greenspan's support for maintaining and extending the Bush tax cuts, but were cautious about publicly supporting cuts in Social Security benefits only eight months before the presidential election.

The discussion of the US fiscal crisis, as it is framed by the media and political establishment, is based on distortions of a fundamental kind. The alleged bankruptcy of Social Security and Medicare is not the inevitable result of impersonal demographic forces. It is the product of policy decisions that favor one class of Americans—the top one or two percent who control the bulk of the wealth—at the expense of everyone else.

As the Center on Budget and Policy Priorities, a liberal study group, pointed out nearly a year ago, http://www.cbpp.org/3-17-03socsec.htm, any deficit in Social Security as a result of increasing life expectancy is dwarfed by the long-term cost of the Bush tax cuts, which essentially phase out all taxation on the wealthy. Simply repealing the Bush tax cuts—in other words, taxing the rich by no more than they were taxed in 2001—would generate three times as much revenue over a 75-year period as the projected Social Security shortfall. It would generate enough revenue to cover the combined deficits of Social Security and Medicare, with several trillion dollars to spare.

Greenspan’s analysis of the federal budget crisis uses language calculated to mask the basic class divisions in American society. There is no “we” who are “over-committed.” Tens of millions of working people have paid Social Security taxes throughout their working lives in return for the assurance of a government-guaranteed old-age pension when they retire. This currently averages a modest $992 a month—easily affordable in the richest society in human history.

The vast resources of the American economy, however, are not available to finance the payment of old-age pensions, or to meet any other social need, because they are monopolized by the ruling elite: the financial aristocracy whose wealth has swollen to unimaginable proportions over the past 25 years. That is the “we” for whom Greenspan speaks.

Another financial comparison is relevant: in 1970, the top one percent of American households owned 20 percent of the national wealth. By 2000, this had swollen to 40 percent.

If the proportion of the wealth controlled by the super-rich were simply reduced to the level of 1970—hardly a golden age of social equality—this would make available resources more than sufficient to meet such urgent social needs as universal health insurance, quality public education, college education for all who desire it, and the rebuilding of the country’s crumbling infrastructure.

But in the America of 2004, neither of the two big business parties speaks of redistributing the wealth to meet human needs. On the contrary, both are committed to a political agenda that subordinates all social considerations and the interests of the great mass of people to the accumulation of personal wealth.

The Republican Party represents the most naked expression of the rapaciousness of the financial oligarchy. The policies of Bush, Cheney & Co. are aimed at profiting themselves personally and their business cronies, not only in relation to domestic issues such as taxation, the environment and energy policy, but also in the area of foreign policy, as demonstrated by the eruption of US militarism and the imperialist wars in Afghanistan and Iraq.

Bush’s support for Social Security privatization has nothing to do with solving a presumed financial crisis of the old-age pension system. The administration aims, rather, to use scare tactics about an impending crisis to legitimize the biggest robbery of the federal treasury in history, as trillions in Social Security payroll taxes are made available to the stock exchange.

The Democratic Party is likewise a party of the financial aristocracy, albeit one that attempts to win support among working people by posturing as its advocate. Senator John Kerry and Senator John Edwards, the leading Democratic presidential contenders, blasted Greenspan’s suggestion that Social Security benefits should be cut.

Significantly, however, neither Kerry nor Edwards suggested that Greenspan should suffer any consequences. The Federal Reserve Board chairman’s term expires June 20, 2004, and Bush has pledged to re-nominate him. When former Vermont governor Howard Dean suggested last month that Greenspan was too closely identified with Bush’s tax cuts and should retire from office, he was roundly denounced by his Democratic rivals.

Greenspan was appointed to a fourth term as Fed chairman in 1999 by President Clinton, who declared at the time, “His wise and steady leadership has inspired confidence, not only here in America but around the world.” Both Kerry and Edwards supported the nomination when Greenspan was confirmed by the Senate in 2000.

These Democrats were well aware of Greenspan’s position on cutting Social Security benefits, which he has advocated for more than 20 years, since he served on the 1983 commission on Social Security headed by Democratic Senator Daniel Patrick Moynihan. This panel proposed the first tightening of eligibility for benefits, including the increase in the retirement age to 67.