

Greenspan warns cuts to Social Security may be “abrupt and painful”

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US Federal Reserve Board Chairman Alan Greenspan warned last week that the major government-funded entitlement programs covering US retirees—Social Security and Medicare—will face “abrupt and painful” curtailment, unless the government begins paring back benefits now.

Speaking at a Federal Reserve conference held in the mountain resort of Jackson Hole, Wyoming, on August 27, Greenspan said, “As a nation, we owe it to our retirees to promise only the benefits that can be delivered.” He went on, “If we have promised more than our economy has the ability to deliver to retirees without unduly diminishing real income gains of workers, as I fear we may have, we must recalibrate our programs.”

Greenspan continued, “Most observers expect Social Security, under existing law, to be in chronic deficit over the long haul; however, the program is primarily defined benefit, and so the scale of the necessary adjustments is limited. The shortfalls in the Medicare program, however, will almost surely be much larger, and be much more difficult to eliminate.”

The need to “recalibrate our programs” is Greenspan’s veiled reference to cuts in benefits for government-funded pensions and health care benefits for retirees. The issue is an explosive one. Social Security was introduced as part of Franklin D. Roosevelt’s “New Deal”—a program designed to ameliorate the worst conditions facing the working class in order to forestall social revolution. Until 1935, many workers faced destitution when they could no longer work in the backbreaking conditions of industry, since their companies offered them no pensions at all.

Millions of working people, who pay into Social Security their entire working lives, now face a threat that these benefits will either be cut or eliminated

before they ever reach retirement age.

The Bush administration has proposed allowing wage earners to shift a portion of their contributions to Social Security into personal retirement accounts invested in the stock market. While pitched as a plan to “save Social Security” and create an “ownership society,” the real purpose of this plan is to pump vast new resources into the stock market in order to further enrich wealthy stockholders. At the same time, it would place what constitutes the sole source of income for many retirees at the mercy of the shares market.

Moreover, the shift to personal accounts would only serve to drive the Social Security fund closer to bankruptcy. It is estimated that the costs of the transition would run close to \$1 trillion, while it would divert money that would otherwise pay for benefits.

Democratic presidential candidate John Kerry has remained vague about his own proposals for Social Security, declaring that he would not “privatize” the program or cut existing benefits. Of course, even the Republicans do not use the term “privatization” to sell their plan for allowing Wall Street to raid the Social Security Trust Fund. And the thrust of proposals for instituting cuts in the program is not the reduction of existing benefits, but rather the slashing of benefits for workers who have yet to retire.

Discussion of shifting a Social Security funds into the stock market, it should be recalled, were well advanced under the Clinton administration and had broad bipartisan support.

This is by no means the first time that Greenspan has raised the issue of sharp cuts in entitlements. In testimony before Congress last February, he called for cuts in Social Security and Medicare in order to pay for making the Bush administration tax cuts permanent for the 2 percent of the wealthiest Americans. In fact,

Greenspan has been raising the issue of Social Security cuts for the last 20 years.

Greenspan claims that as the “baby boom” generation retires, the Social Security Trust Fund will no longer be able to pay its retirement obligations. The Fed chairman cites statistics that by the year 2035, the American population over age 65 will rise from 12 percent of the population to 20 percent.

He cited “[t]he decade-long acceleration in productivity and economic growth [that] has seemingly muted” the necessity of making “stark choices” between reduced benefits or higher taxes. In an assessment of future economic prospects, he stated, “history discourages the notion that the pace of growth will continue to increase.”

There is no mystery as to what choice Greenspan and both big business parties favor. They insist that any shortfall in Social Security funds—including those that will be created if plans for the individual retirement accounts go forward—are to be made up through raising taxes on working people and cutting the benefits of retirees. The vast wealth controlled by the corporations, banks and wealthy elite must remain untouched.



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