

Washington renews demand for cuts to Social Security, Medicare

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The Bush administration, echoed by much of the mass media, seized upon reports released May 1 on the fiscal health of the Social Security and Medicare system to renew its demand for drastic cuts to these two major entitlement programs, thereby gutting retirement benefits and health care for older Americans.

According to the reports, issued by the trustees of the programs' trust funds, the Medicare Hospital Insurance Trust Fund is projected to become insolvent by 2018, due largely to rapidly rising costs of American health care outstripping the payroll taxes that fund the program.

The report on Social Security indicates that this program will be able to pay out 100 percent of benefits until 2040, when the trustees predict the fund will be exhausted—a year earlier than previous projections. After that it would be able to cover 74 percent of promised benefits out of revenues until 2080, when it would decline to 70 percent.

“The systems are going broke,” Bush told a conference of the American Hospital Association. “It’s time to set aside politics and restructure Social Security and Medicare for generations to come.”

Later the same day, Treasury Secretary John Snow held a news conference on the reports, warning darkly that the new figures posed “a looming financial crisis for our nation.”

He was seconded by Medicare and Social Security trustee Thomas Saving, who declared, “Either government is going to have to be a lot smaller, or these programs are going to have to be dramatically changed.”

Bush’s solemn appeal to “put politics aside” notwithstanding, there are definite political calculations—and undeniable social interests—underlying the administration’s crisis-mongering, and they have nothing whatsoever to do with the wellbeing of future generations.

The essential thrust of this policy is the continued wholesale transfer of social wealth from working people, who make up the vast majority of the population, to a narrow layer of the super-rich, who control the government and both major political parties.

It is significant that a “looming financial crisis” confronting the US is invoked by the administration only in relation to entitlement programs that benefit the broad mass of the American people. No such crisis atmosphere is generated in response to the massive tax cuts for the rich driving up the federal deficit, or to the ballooning costs of the US war of aggression in Iraq steadily eating up vast funds that could otherwise be used to meet essential social needs.

Indeed according to the fiscal yardstick being used to scare the

public about the state of the Social Security and Medicare programs—the projected inability to cover all costs with existing revenues—the entire US government is already bankrupt, sustained only through massive borrowing.

As the liberal Center on Budget and Policy Priorities think tank pointed out in response to the trustees’ reports, “The size of the Social Security shortfall is dwarfed by the cost of the tax cuts (assuming they are made permanent.)”

The projected \$4.6 trillion Social Security deficit over the next 75 years amounts to barely a third of the costs imposed over the same period by the tax cuts implemented by the Bush administration in 2001 and 2003. In fact, the entire shortfall could be covered by the amount of tax breaks going to the wealthiest layer of the population making more than \$400,000 a year. This top 1 percent is the beneficiary of roughly 40 percent of the tax reductions.

This is the same administration, it should be recalled, that fired its chief economic adviser Lawrence Lindsey for his 2002 prediction that the war in Iraq would end up costing \$200 billion. Officials at the time derided this estimate as wildly inflated. It turned out, however, to be a gross underestimation of the real price tag for the war, which will hit \$320 billion once Congress approves the latest “emergency” appropriations bill. And, according to an analysis done by the Congressional Research Service, it will cost at least another \$371 billion, under the best-case scenario.

This vast inflation of the war’s costs—driven to no small degree by the wholesale fraud and corruption on the part of politically-connected corporations like Halliburton—does not occasion any sounding of the alarm or demands for emergency measures. On the contrary, the administration merely sneaks off-budget bills into a compliant Congress, which again and again votes overwhelmingly for whatever is asked.

The projections produced by the Medicare and Social Security trustees have been seized upon and distorted by the administration—in much the same fashion as they manipulated phony intelligence about weapons of mass destruction to justify a war against Iraq. They are being employed as a pretext for carrying out a social agenda that the right wing, backed by big business, has been promoting for many years—the systematic dismantling of these programs.

Behind the scare rhetoric, the reality of the annual projections is far from earthshaking. The change recorded in the projection

regarding the Social Security fund—moving its insolvency date to a year earlier—is due primarily to the trustees’ decision to lower their assumed interest rate, meaning the fund would get less income from government bonds.

Moreover, the prediction that the fund would remain solvent until 2040 represents a substantially more favorable prognosis than was offered less than a decade ago, when it was predicted that it would be exhausted 11 years earlier, in 2029.

As for the Medicare shortfall, which is far more substantial, the underlying issue is not some fatal flaw in the program. Rather, the program is suffering the impact of the soaring cost of healthcare in the US, which has its source in a system of privately owned pharmaceutical corporations, hospitals, health maintenance organizations and other facilities that are run with the aim of increasing profits for wealthy investors.

“The message of this report is urgency,” declared Health and Human Services Secretary Michael Leavitt in response to the Medicare report. “I do not want to stand here another year with just another bad report and another year of inaction. It’s time to act.”

But the “actions” proposed both in relation to Social Security and Medicare will do nothing to strengthen either program. Rather, they are designed to undermine them and transfer the resources that sustain them into the financial portfolios of the rich.

On Social Security, the administration is pushing changes that would include not only an increase in the retirement age to 67 and cuts in benefits, but also the privatization of the system, through the creation of private investment accounts. Initiating these accounts would require massive borrowing by the government and would divert contributions out of the Social Security system, thereby hastening insolvency and requiring even deeper cuts in benefits.

The aim is not to “fix” Social Security, but to channel trillions of dollars in Social Security payroll taxes into the stock market, in order to generate fresh profits and even larger fortunes on Wall Street.

As for Medicare, Leavitt’s demand for action is a call for Congress to implement Bush’s proposal to slash Medicare spending by \$36 billion between 2007 and 2011, meaning a sharp reduction in benefits and increase in premiums.

Ultimately, the aim is to scuttle the program entirely, replacing it with healthcare vouchers and eventually placing everyone at the mercy of the market, essentially in the same boat as the 46 million Americans who have no healthcare insurance at all.

The government’s claim that Social Security and Medicare are “not sustainable” merely echoes the insistence by corporation after corporation that company-funded healthcare benefits and pensions—once a common part of workers’ compensation—have become intolerable impediments to profit.

This is hardly an accident. The US is ruled by a government of the corporations, by the corporations and for the corporations, in which all policy—domestic and foreign, social and fiscal—is determined by unwavering obedience to the bottom line of corporate profits and the piling up of wealth by a financial oligarchy.

All of the attempts by the political establishment and the media

to portray the issues confronting Social Security and Medicare as the product of some inexorable natural crisis created by a demographic “bulge” in retirement by the so-called “baby boomers” born in the post-World War II era are a fraud. The real issue is conscious political decisions taken to subordinate all social policy to the interests of the America’s financial elite, regardless of the catastrophic impact upon the population as a whole.

The response of the Democrats to this new threat to Social Security and Medicare has been to insist that the crisis is being exaggerated, while appealing to the Republicans for a bipartisan effort to “strengthen” the programs. Typical of the proposals being put forward by the so-called opposition party is that of the Democratic Leadership Council, which advocates raising the retirement age, diverting money into the stock market and finding “progressive ways to trim benefits for future retirees.”

No one in the leadership of the Democratic Party suggests that these programs could be fully funded and expanded through a redistribution of wealth from the super-rich to the rest of society.

The Socialist Equality Party rejects the demand—by Republicans and Democrats alike—that working people sacrifice to pay for the crisis created by the profit system. We insist that pensions and healthcare are basic rights, paid for by working people throughout their working lives. It is not a matter of society no longer being able to afford these rights; far more wealth is produced today than when Social Security was founded 70 years ago. What society cannot afford is the continued monopolization of social wealth by the top 1 percent.

The resources to provide for universal and free healthcare, livable retirement benefits and a decent income for all working people must be made available by reorganizing the economy to meet human needs, rather than to create profit and increase vast personal fortunes.

We call for the repeal of the long series of tax cuts for the rich enacted over the past 25 years by both Republican and Democratic administrations, and for the implementation of direct taxes on great wealth. The largest corporations, along with banking, the giant pharmaceutical corporations and the healthcare industry, must be transformed into publicly owned enterprises. This program will free ample resources to put an end to social inequality and vastly improve conditions of life for the overwhelming majority.

The political precondition for waging a fight for such a program is a break with the Democratic Party and the struggle to build an independent, mass socialist party of the working class. The Socialist Equality Party is intervening in the 2006 election to initiate this struggle. We urge all of our readers to participate in this fight, help place our candidates on the ballot and bring our program to the widest possible audience of working people, students and professionals.



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