LIGHT SUMMER READING

SOCIAL SECURITY

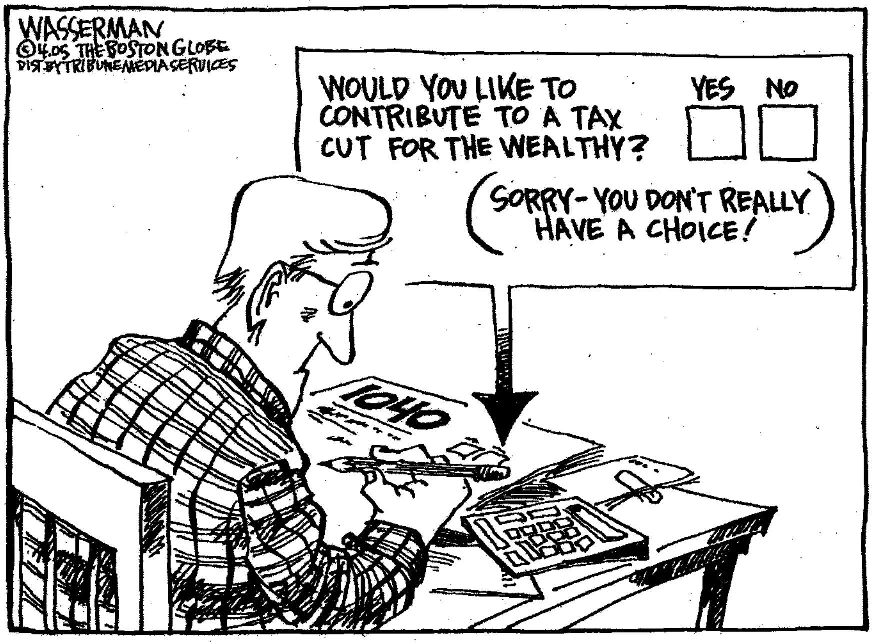
President Clinton presided over balanced budgets with a yearly surplus used to pay down the national debt. President Clinton also talked about the Social Security "lock box" that needed to stay full until there was need to draw upon it.

President Bush presides over unbalanced budgets that increase the national debt. He found a need to draw upon the Social Security "lock box" upon arrival in office. He needed the money for tax cuts (9/11 came later).

President Bush, having done such a good job in his first term (saving us from Iraqi weapons of mass destruction), began his second term determined to "fix" Social Security once and for all.

In the pages that follow, you will find a few writers who disagree with the President's plan for Social Security. Our own solution would be to simply raise the income "cap" or, alternatively, to increase the employer's contribution by two percent. George Bush, alas, would find fault with either alternative.


Remember This Poor Guy?
He's an old-style Republican. Good responsible businessman, made the payroll, believed in a day's work for a day's pay, wanted the dollar to be sound, the budget in balance and God in his heaven. Believed in small government and the defense of our borders. Live and let live. Work and save. Privacy... frugality... opportunity...
... that was then... Good Lord, look at him now...
NO TO FLUORIDATION!
RIGHT WING NUT JOBS
EXTREMIST LOONS!
TEXAS WHACKOS FOR
IMPEACH EARL WARREN!
DANZIGER
NYTS/CWS Mar 23 2005 (2336)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WOULD YOU LIKE TO CONTRIBUTE TO A TAX CUT FOR THE WEALTHY?
YES NO
(SORRY - YOU DON'T REALLY HAVE A CHOICE!)
1040


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'05
"...WAR IN IRAQ NOT GOING WELL, BUSH GANG SYSTEMATICALLY DISMANTLING THIS COUNTRY, ROGUE NUCLEAR THREAT CONTINUES, OSAMA BIN LADEN AND YOUR UNCLE GEORGE STILL AT LARGE... GOOD LUCK, KID."

THE FINANCIAL PAGE
THE RISK SOCIETY

George W. Bush was reëlected last Tuesday not because of the job he did running the economy in his first term but in spite of it. (Voters for whom the economy was the most important issue voted for Kerry by a four-to-one margin.) Bush doesn't get to coast for the next four years, though; he's facing a host of economic problems, particularly the mounting cost of health care and the looming crisis in funding for Social Security and Medicare. Bush, of course, has a master plan: he intends to turn America into what he calls an ownership society.

That sounds unobjectionable—who's against ownership? But what the President has in mind is nothing less than a radical overhaul of America's entire system of social insurance. In place of unwieldy government programs run by busybody bureaucrats, Bush wants Americans to have more independence and more choices regarding their health care, their savings, and their retirement. Social Security would be partially privatized, with people allowed to put aside money in individual accounts. Private health-insurance plans would compete with Medicare. Tax-free retirement accounts would be expanded. And health savings accounts would let people save money for health-care expenses tax-free, as long as they agreed to sign up for plans with high deductibles. The result, Bush claimed earlier this year, would be "greater opportunity, more freedom, and more control over your own life." And with freedom, presumably, will come greater responsibility; people will be more careful as users of health care, more diligent as savers and investors.

Fair enough. All things being equal, letting people make decisions for themselves will produce smarter outcomes, collectively, than relying on government planners. It may also promote attentiveness. As the economist Lawrence Summers has said, "No one in the history of the world has ever washed a rented car."

No one in the history of the world has ever had a free lunch, either. The ownership society promises freedom, but at the price of a huge shift in risk, away from government and society and onto individual citizens. Social Security, Medicare, insurance—these are basically collective risk-sharing mechanisms. Rather than let each person run the risk of ending up destitute or sick, these programs pool the risk. Because the risk is shared, it can be managed, and people can be guaranteed a minimally acceptable outcome. In Bush's brave new world, that guarantee will be eliminated.

This is what has happened as 401(k) plans have replaced traditional pension plans. With a 401(k), you have a lot more control over your financial life. You, not a pension-fund manager, decide how much to save and what to invest in. For

some people, this shift has been a great boon, and it has made it easier for workers to change jobs without relinquishing retirement money. But for others (like those who staked their retirements on Enron and Pets.com) it has been a disaster. With a traditional pension, the company (or the government, in cases where the company fails) bears the burden of providing for the retirement of its employees. With a 401(k), the burden falls on the individual alone. If you screw it up, that's your problem. Freedom's just another word for nothing left to lose.

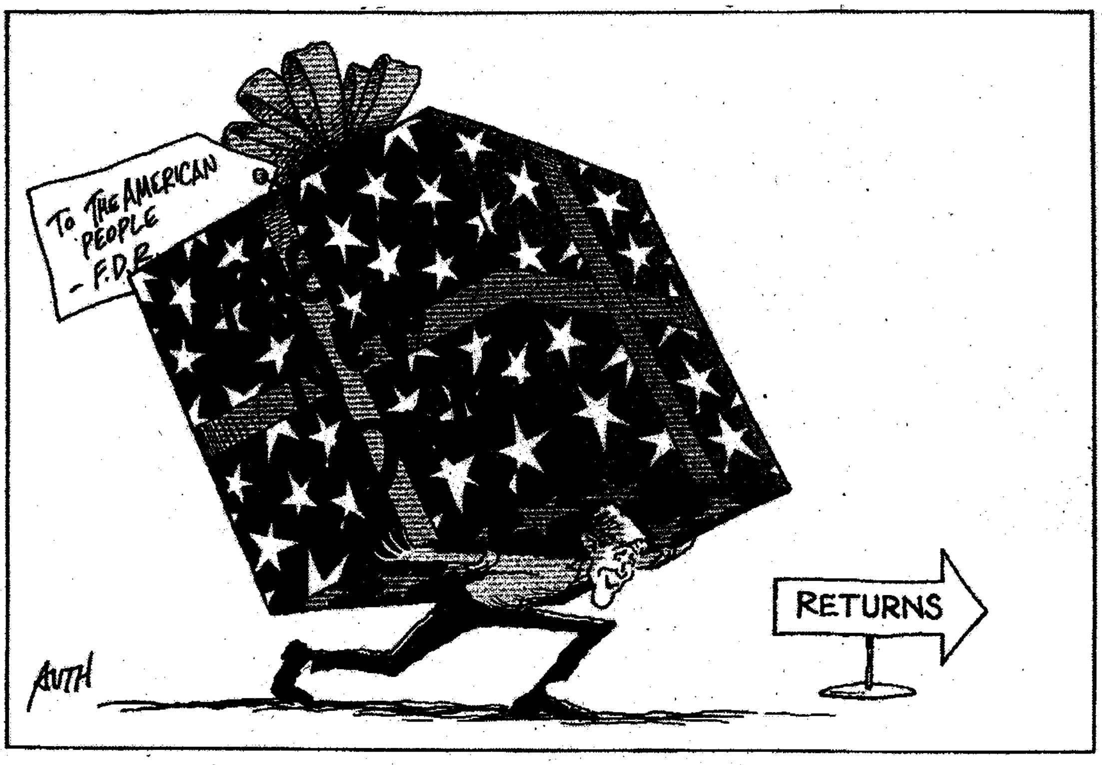
Generally, we want people to reap the benefits of their own successes and pay a price for their failures. But Social Security and Medicare are designed to protect people from things they have little control over—risk of illness, risk of macroeconomic change, risk of industrial obsolescence. To manage that kind of risk, you have to do it collectively. What's more, as the political scientist Jacob Hacker has pointed out, Americans' everyday lives are considerably riskier than they used to be. Jobs are less secure. Health-care costs are increasingly difficult to plan for. And the pace of technological change—which can lay waste to entire industries almost overnight—is faster than ever. So now may not be the best time to undermine the few programs that provide people with some protection against bad decisions and bad luck.

As for choice, behavorial economists will tell you that it is possible to have too much of a good thing. A plethora of choices can be paralyzing, as Barry Schwartz pointed out in his recent book "The Paradox of Choice." Ask shoppers in a supermarket to taste six different jams, and odds are that they'll buy the jam they like best. Offer them twenty-four different jams, and odds are they'll walk away without buying any. Studies of 401(k)s show that the more investment choices a plan offers, the less likely people are to participate in it. In this regard, Social Security's lack of flexibility may actually be a virtue. People sacrifice some upside, in exchange for peace of mind.

The ownership society's greatest flaw, however, is that it won't solve the problems it purports to address. A real solution would require facing up to some thorny issues—raising the retirement age, slowing the growth of benefits, means-testing. By advocating greater freedom and independence, while failing to explain or account for the greater risk, Bush is setting Americans up for an unpleasant surprise. If his plans are implemented, a lot of people are going to end up a lot poorer in their old age than they otherwise would have been. (A lot of people will end up a lot richer, too.) The result would be Social Security without the security part. Freedom of choice is a beautiful thing. But the Bush plan is asking you to swap an insurance policy for a lottery ticket.

—*James Surowiecki*

CHRISTOPH NIEMANN



Fake solution to fake crisis

By Paul Krugman

NEW YORK

THE PEOPLE who hustled America into a tax cut to eliminate an imaginary budget surplus and a war to eliminate imaginary weapons are now trying another bum's rush. If they succeed, we will do nothing about the real fiscal threat and will instead dismantle Social Security, a program that is in much better financial shape than the rest of the federal government.

In the next few weeks, I'll explain why privatization will fatally undermine Social Security, and suggest steps to strengthen the program. I'll also talk about the much more urgent fiscal problems the administration hopes you won't notice while it scares you about Social Security.

Today let's focus on one piece of those scare tactics: the claim that Social Security faces an imminent crisis.

That claim is simply false. Yet much of the press has reported the falsehood as a fact. For example, The Washington Post recently described 2018, when benefit payments are projected to exceed payroll tax revenues, as a "day of reckoning."

Here's the truth: by law, Social Security has a budget independent of the rest of the U.S. government. That budget is currently running a surplus, thanks to an increase in the payroll tax two decades ago. As a result, Social Security has a large and growing trust fund.

When benefit payments start to exceed payroll tax revenues, Social Security will be able to draw on that trust fund. And the trust fund will last for a long time: until 2042, says the Social Security Administration; until 2052, says the Congressional Budget Office; quite possibly forever, say many economists, who point out that these projections assume that the economy will grow much more slowly in the future than it has in the past.

■

So where's the imminent crisis? Privatizers say the trust fund doesn't count because it's invested in U.S. government bonds, which are "meaningless IOU's." Readers who want a long-form debunking of this sophistry can read my recent article in the online journal The Economists' Voice (www.bepress.com/ev).

The short version is that the bonds in the Social Security trust fund are obligations of the federal government's general fund, the budget outside Social Security. The general fund is legally obliged to pay the interest and principal on those bonds, and Social Security is legally obliged to pay full benefits as long as there is money in the trust fund.

There are only two things that could endanger Social Security's ability to pay benefits before the trust fund runs out. One would be a fiscal crisis that led the United States to default on all its debts. The other would be legislation specifically repudiating the general fund's debts to retirees.

That is, we can't have a Social Security crisis without a general fiscal crisis — unless Congress declares that debts to foreign bondholders must be honored, but that promises to older Americans, who have spent most of their working lives paying extra payroll taxes to build up the trust fund, don't count.

Politically, that seems far-fetched. A general fiscal crisis, on the other hand, is a real possibility — but not because of Social Security. In fact, the Bush administration's scaremongering over Social Security is in large part an effort to distract the public from the real fiscal danger.

There are two serious threats to the federal government's solvency over the next couple of decades. One is the fact that the general fund has plunged deeply into deficit, largely because of President Bush's unprecedented insistence on cutting taxes in the face of a war. The other is the rising cost of Medicare and Medicaid.

That doesn't mean nothing should be done to improve Social Security's finances. But privatization is a fake solution to a fake crisis.

The New York Times

The free lunch bunch has it wrong

By Paul Krugman

NEW YORK

DID THEY believe they would be welcomed as liberators? Administration plans to privatize Social Security have clearly run into unexpected opposition. Even Republicans are balking; Rep. Bill Thomas says that the initial Bush plan will soon be a "dead horse."

That may be overstating it, but for privatizers the worst is yet to come. If people are rightly skeptical about claims that Social Security faces an imminent crisis, just wait until they start looking closely at the supposed solution.

■

President Bush is like a financial adviser who tells you that at the rate you're going, you won't be able to afford retirement — but that you shouldn't do anything mundane like trying to save more. Instead, you should take out a huge loan, put the money in a mutual fund run by his friends (with management fees to be determined later) and place your faith in capital gains.

That, once you cut through all the fine phrases about an "ownership society," is how the Bush privatization plan works. Payroll taxes would be diverted into private accounts, forcing the government to borrow to replace the lost revenue. The government would make up for this borrowing by reducing future benefits; yet workers would supposedly end up better off, in spite of reduced benefits, through the returns on their accounts.

The whole scheme ignores the most basic principle of economics: There is no free lunch.

There are several ways to explain why this particular lunch isn't free, but the clearest comes from Michael Kinsley, editorial and opinion editor of The Los Angeles Times. He points out that the math of Bush-style privatization works only if you assume both that stocks are a much better investment than government bonds and that somebody out there in the private sector will nonetheless sell those private accounts lots of stocks while buying lots of government bonds.

So privatizers are in effect asserting that politicians are smart — they know that stocks are a much better investment than bonds — while private investors are stupid, and will swap their valuable stocks for much less valuable government bonds. Isn't such an assertion very peculiar coming from people who claim to trust markets?

When I ask privatizers that question, I get two responses.

One is that the diversion of revenue into private accounts doesn't have to lead to government borrowing, that the money can come from, um, someplace else. Of course, many schemes look good if you assume that they will be subsidized with large sums shipped in from an undisclosed location.

Privatizers are in effect asserting that politicians are smart while private investors are stupid.

Alternatively, they point out that stocks on average were a very good investment over the last several decades. But remember the disclaimer that mutual funds are obliged to include in their ads: "Past performance is no guarantee of future results."

Fifty years ago most people, remembering 1929, were afraid of the stock market. As a result, those who did buy stocks got to buy them cheap: On average, the value of a company's stock was only about 13 times that company's profits. Because stocks were cheap, they yielded high returns in dividends and capital gains.

But high returns always get competed away, once people know about them: Stocks are no longer cheap. Today, the value of a typical company's stock is more than 20 times its profits. The more you pay for an asset, the lower the rate of return you can expect to earn. That's why even Jeremy Siegel, whose "Stocks for the Long Run" is often cited by those who favor stocks over bonds, has conceded that "returns on stocks over bonds won't be as large as in the past."

■

But a very high return on stocks over bonds is essential in privatization schemes; otherwise private accounts created with borrowed money won't earn enough to compensate for their risks. And if we take into account realistic estimates of the fees that mutual funds will charge — remember, in Britain those fees reduce workers' nest eggs by 20 to 30 percent — privatization turns into a lose-lose proposition.

Sometimes I do find myself puzzled: Why don't privatizers understand that their schemes rest on the peculiar belief that there is a giant free lunch there for the taking? But then I remember what Upton Sinclair wrote: "It is difficult to get a man to understand something when his salary depends on his not understanding it."

The New York Times

Quotes

If you go back and look, 2008 will be the first election in modern times when there is no heir apparent on either side. It's amazing. It's a happenstance of history.

Matthew Dowd, a senior adviser to President Bush's campaign, looking ahead to the 2008 presidential campaign

I didn't want it to be tables of all Democrats or all Republicans.

Dot Svendson, who organized the seating for the inaugural lunch, on the arrangement which found Bill Clinton talking animatedly with Karl Rove

Social Security debate focuses on race disparities

By Matt Crenson
Associated Press

Does Social Security cheat black Americans?

Yes, President Bush insisted last week. But some Social Security experts say the answer is clearly "no."

The way Bush explained it to a group of black supporters last week, blacks are shortchanged because they are more likely than whites to die before receiving their fair share of retirement benefits.

It is true that blacks, on average, have shorter lifespans than whites. But that is not the only factor that needs to be considered, say economists who study the government's retirement program.

Social Security pays lower-income workers more, relative to what they pay into the program, than higher-income workers. Blacks are paid less than whites on average, so the distribution of benefits favors them. That evens out the discrepancy caused by the difference in death rates, said economist Jeffrey Liebman, a former Clinton administration official whose research is often cited by the Bush administration in support of its own policies.

But there are other features of Social Security that tip the balance further toward blacks. Spouses and dependents of Social Security beneficiaries who die continue receiving half of the deceased person's benefits. Furthermore, the program pays not just retirement benefits but disability benefits to those too sick or injured to work. Blacks, 13 percent of the population, comprise 17 percent of the disability beneficiaries.

On balance, the program may actually benefit blacks more than whites, according to analyses by the AARP, scholars such as Liebman and the Social Security Administration's actuaries. Only the conservative Heritage Foundation has concluded otherwise.

Numbers aside, says Liebman, lower-income people benefit more from Social Security simply because for them, the program makes the difference between poverty and a decent standard of living. For the well off, it's just another source of retirement income.

The Social Security argument highlights a little-discussed but longstanding social problem: the continuing disparity in life expectancy between whites and blacks in America. In 2001, the average life expectancy of a black male at birth was 68.6 — 6.4 years less than that for a white male. The average life expectancy for a black female was 75.5 years — 4.7 years less than for a white female.

"We need to reorient our priorities," said Robert S. Levine, a professor at Meharry Medical College in Nashville, Tenn.

The disparity in life expectancy is even worse for blacks who live in poverty. A 2001 study by the University of Michigan found that in the poorest neighborhoods of Los Angeles, Chicago and New York, a 16-year-old black male could expect to die at 59 years old — 15 years younger than the average white male his age.

Behind the discrepancy lies myriad threats to survival that afflict poor blacks from before birth to old age:

■ Blacks are 2.5 times more likely than whites to die in the first year of life.

■ Because they are exposed to more air pollution and have less access to health care, black children die of asthma at about three times the rate of whites.

■ In their teenage and young adult years, young black men are more likely than whites to meet violent deaths. A recent study by the Centers for Disease Control and Prevention found that homicide deducts about seven months from the life expectancy of the average black male.

■ HIV and AIDS also disproportionately affect blacks. In 2000, the rate of new AIDS cases was 10 times higher in blacks compared to whites.

■ Later in life, blacks are more likely to die from a number of chronic diseases, especially diabetes and high blood pressure.

"If the problem we're trying to address is African-Americans having lower life expectancy, increasing their retirement benefits and their ability to pass wealth on to their children is not the way to do that," Liebman said.

The president who cries wolf

By Harold Meyerson

Hair on Fire! Hair on Fire!

WASHINGTON

SOME PRESIDENTS make the history books by managing crises. Lincoln had Fort Sumter, Roosevelt had the Depression and Pearl Harbor, and Kennedy had the missiles in Cuba. George W. Bush, of course, had Sept. 11, and for a while thereafter — through the overthrow of the Taliban — he earned his page in history, too.

But when historians look back at the Bush presidency, they're more likely to note that what sets Bush apart is not the crises he managed but the crises he fabricated. The fabricated crisis is the hallmark of the Bush presidency. To attain goals that he had set for himself before he took office — the overthrow of Saddam Hussein, the privatization of Social Security — he concocted crises where there were none.

■

So Iraq became a clear and present danger to American hearths and homes, bristling with weapons of mass destruction, a nuclear attack just waiting to happen. And now, this week, the president is embarking on his second great scare campaign, this one to convince the American people that Social Security will collapse and that the only remedy is to cut benefits and redirect resources into private accounts.

In fact, Social Security is on a sounder footing now than it has been for most of its 70-year history. Without altering any of its particulars, its trustees say, it can pay full benefits straight through 2042. Over the next 75 years its shortfall will amount to just 0.7 percent of national income, according to the trustees, or 0.4 percent, according to the Congressional Budget Office. That still amounts to a real chunk of change, but it pales alongside the 75-year cost of Bush's Medicare drug benefit, which is more than twice its size, or Bush's tax cuts if permanently extended, which would be nearly four times its size.

In short, Social Security is not facing a financial crisis at all. It is facing a need for some distinctly sub-cataclysmic adjustments over the next few decades that would increase its revenue and diminish its benefits.

Politically, however, Social Security is facing the gravest crisis it has ever known. For the first time in its history, it is confronted by a president, and just possibly by a working congressional majority, who are opposed to the program on ideological grounds, who view the New Deal as a repealable aberration in U.S. history, who would have voted against establishing the program had they been in Congress in 1935. But Bush doesn't need Karl Rove's counsel to know that repealing Social Security for reasons of ideology is a non-starter.

So it's time once more to fabricate a crisis. In Bushland, it's always time to fabricate a crisis. We have a crisis in medical malpractice costs, though the CBO says that malpractice costs amount to less than 2 percent of total health care costs. (In fact, what we have is a president who wants to diminish the financial, and thus political, clout of trial lawyers.) We have a crisis in judicial vacancies, though in fact Senate Democrats used the filibuster to block just 10 of Bush's 229 first-term judicial appointments.

With crisis concoction as its central task, this presidency, more than any I can think of, has relied on the classic tools of propaganda.

With crisis concoction as its central task — think of how many administration officials issued dire warnings of the threat posed by Saddam Hussein or, now, by Social Security's impending bankruptcy — this presidency, more than any I can think of, has relied on the classic tools of propaganda. Indeed, it's almost impossible to imagine the Bush presidency absent the Fox News Network and right-wing talk radio.

With the blurring of fact and fiction so central to the Bush presidency's purposes, is it any wonder that government agencies ranging from Health and Human Services to the Office of National Drug Control Policy have been filming editorial messages as mock newscast segments, complete with mock reporters, and offering them to local television stations?

■

Is it any wonder that the Education Department paid commentator Armstrong Williams $241,000 to promote its No Child Left Behind programs? In this administration, it is the role of a government agency to turn out pro-Bush news by whatever means possible. Fox News viewership in the African-American community wasn't very large, and here was Williams, who seemed to have learned during his clerkship for Clarence Thomas that it was rude to decline any gifts.

We've had plenty of presidents, Richard Nixon most notoriously, who divided the media into friendly and enemy camps. I can't think of one, however, so fundamentally invested in the spread of disinformation — and so fundamentally indifferent to the corrosive effect of propaganda on democracy — as Bush. That, too, should earn him a page in the history books.

The Washington Post

Harold Meyerson is editor-at-large of American Prospect and political editor of the L.A. Weekly.

Social Security: When numbers get crunched

By Laura Meckler
Associated Press

WASHINGTON — Under President Bush's plan for Social Security, a 35-year-old woman earning $50,000 would see her benefits cut by $6,000 per year.

No, scratch that. Given a personal account, her annual take would jump by $63,000.

What?

A variety of do-it-yourself "calculators" purport to show the impact of Social Security changes on individual workers. But anyone who tries to use them might come away confused. Created by partisans in the Social Security debate, each of these online calculators begins with different assumptions, and that makes all the difference.

"You can get yourself into trouble if you're comparing apples to oranges," said Michael Tanner of the libertarian Cato Institute, a leading proponent of private accounts.

The calculation assumptions go to the heart of the debate over Social Security: How much will the stock market rise? How much will promised benefits be cut?

Democrats and their allies assume that promised benefits will be chopped by almost half and the stock market will produce relatively paltry returns.

Bush backers assume the stock market will do very well. They figure that personal accounts will be so large and so profitable that retirees will come out way ahead.

Part of the trouble in calculating the impact of changes to the system is that Bush hasn't produced a comprehensive plan, and no leading one has emerged in Congress either.

Bush says the system will go broke if changes aren't made. And he talks about creating private accounts — allowing younger workers to divert up to two-thirds of their share of Social Security payroll taxes into accounts that could be invested in stocks or bonds.

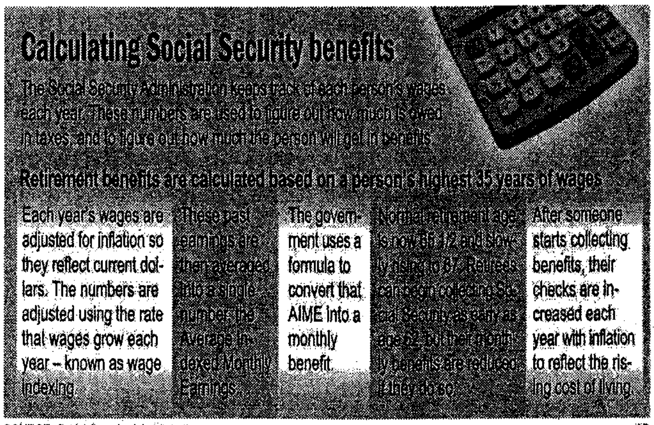
But personal accounts do nothing to solve the program's long-term financial problems, as Bush advisers concede. And the president has not said how he would make the system solvent, only that many ideas are on the table.

Advocates on both sides have taken it upon themselves to fill in the details.

Most of the options for bringing the system into balance involve cutting benefits one way or another. The option that has received the most attention — and one recommended by the president's 2001 Social Security commission — involves changing the formula used to set initial benefits at retirement.

Democrats and their allies regularly suggest this change — which would eventually reduce future government benefits by half — will be part of the final plan.

Initial benefits are now based on the rate that wages rise over time. Under the commission's plan, benefits would be set based on the rate that prices rose during a person's working life. Because prices tend to grow more slowly than wages, benefits would wind up smaller.



SOURCE: Social Security Administration AP

A Social Security calculator recently launched by Senate Democrats incorporates this cut. It also assumes that someone's personal account will earn only 3 percent interest after inflation. At that rate, because of the way the accounts are structured, the investor would see no profit at all for his account.

Given these assumptions, it's not surprising people would come out worse under the Bush plan.

Someone born in 1970 who earned $50,000 this year and who expects her salary to grow over time would get about $27,000 per year upon retirement under the current system. But she would get less than $21,000 under the new plan.

The site declares: "How will you lose under Bush privatization plan," and calculates the annual cut at $6,480.

What the site doesn't say is that the cut is attributable entirely to efforts to make the overall system solvent and has nothing to do with any "privatization plan."

A similar calculator from the liberal Center for Economic and Policy Research is more complicated and detailed, but it makes similar assumptions and comes up with similar results.

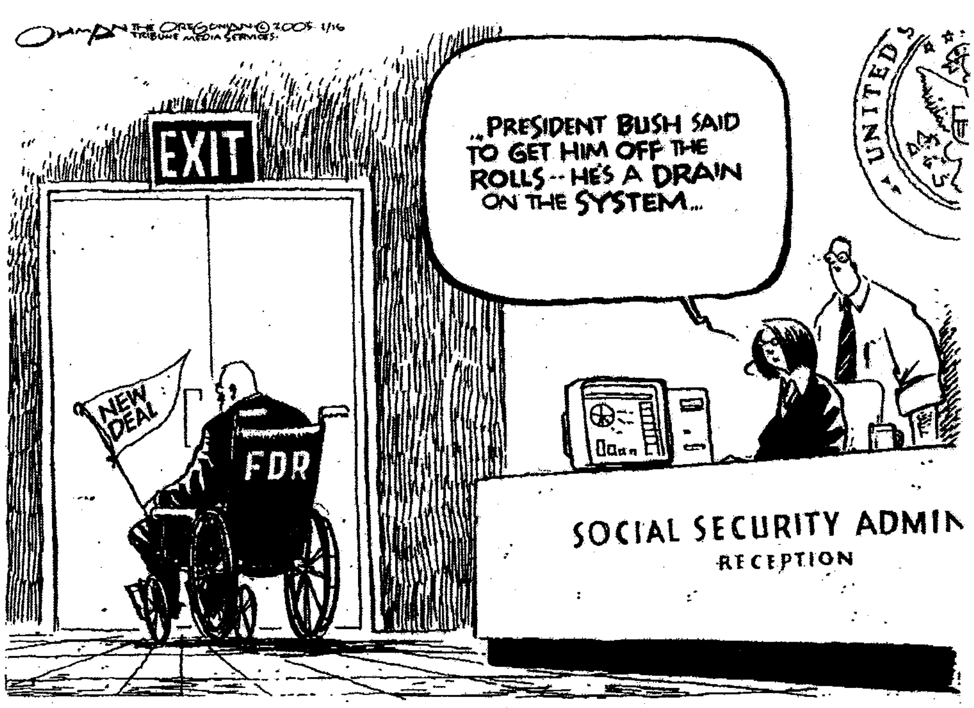
Not the calculators created by conservatives.

The Heritage Foundation, Cato Institute and National Center for Policy Analysis all have online calculators that assume very large personal accounts — much larger than the ones Bush is proposing. They all assume healthy returns — from 4.6 to 5.4 percent after inflation.

The Heritage Foundation calculates that the 35-year-old woman now earning $50,000 would wind up with $89,160 a year at retirement from her personal account.

The conservatives' sites don't mention there is not much of a safety net if the stock market tanks. They also omit the trillions of dollars government would have to borrow to implement this plan.

David John, a Social Security expert at Heritage, noted that the calculator has been on the Internet for several years. But he added: "We have more hits these days."



Running against FDR

By Paul Krugman

NEW YORK

PRESIDENT BUSH isn't trying to reform Social Security. He isn't even trying to "partially privatize" it. His plan is, in essence, to dismantle the program, replacing it with a system that may be social but doesn't provide security. And the goal, as with his tax cuts, is to undermine the legacy of Franklin Roosevelt.

For Americans who enter the work force after the plan goes into effect and who choose to open private accounts, guaranteed benefits — income you receive after retirement even if everything else goes wrong — would be nearly eliminated.

Here's how it would work. First, workers with private accounts would be subject to a "clawback": In effect, they would have to mortgage their future benefits in order to put money into their accounts.

Second, since private accounts would do nothing to improve Social Security's finances — something the administration has finally admitted — there would be large benefit cuts in addition to the clawback.

"Social Security is the soft underbelly of the welfare state," declares Stephen Moore of the Club for Growth and the Cato Institute. "If you can jab your spear through that, you can undermine the whole welfare state."

By the welfare state, Moore means Social Security, Medicare and Medicaid — social insurance programs whose purpose, above all, is to protect Americans against the extreme economic insecurity that prevailed before the New Deal. The hard right has never forgiven FDR (and later LBJ) for his efforts to reduce that insecurity, and now that the right is running Washington, it's trying to turn the clock back to 1932.

Medicaid is also in the cross hairs. If Bush can take down Social Security, Medicare will be next.

■

The attempt to "jab a spear" through Social Security complements the strategy of "starve the beast," long advocated by right-wing intellectuals: cut taxes, then use the resulting deficits as an excuse for cuts in social spending. The spearing doesn't seem to be going too well at the moment, but the starving was on full display in the budget released Monday,

To put that budget into perspective, let's look at the causes of the federal budget deficit. In spite of the expense of the Iraq war, federal spending as a share of GDP isn't high by historical standards — in fact, it's slightly below its average over the past 20 years. But federal revenue as a share of GDP has plunged to levels not seen since the 1950s.

Almost all of this plunge came from a sharp decline in receipts from the personal income tax and the corporate profits tax. These are the taxes that fall primarily on people with high incomes — and in 2003 and 2004, their combined take as a share of GDP was at its lowest level since 1942.

The budget contains new upper-income tax breaks. Any deficit reduction will come from spending cuts. Many of those cuts won't make it through Congress, but Bush may well succeed in imposing cuts in child care assistance and food stamps for low-income workers. He may also succeed in severely squeezing Medicaid — the only one of the three great social insurance programs specifically intended for the poor and near-poor, and therefore the most politically vulnerable.

All of this explains why it's foolish to imagine some sort of widely acceptable compromise with Bush about Social Security. Moderates and liberals want to preserve the America FDR built. Bush and the ideological movement he leads, although they may use FDR's image in ads, want to destroy it.

The New York Times

Lack of candor, facts hurting Bush

By E.J. Dionne Jr.

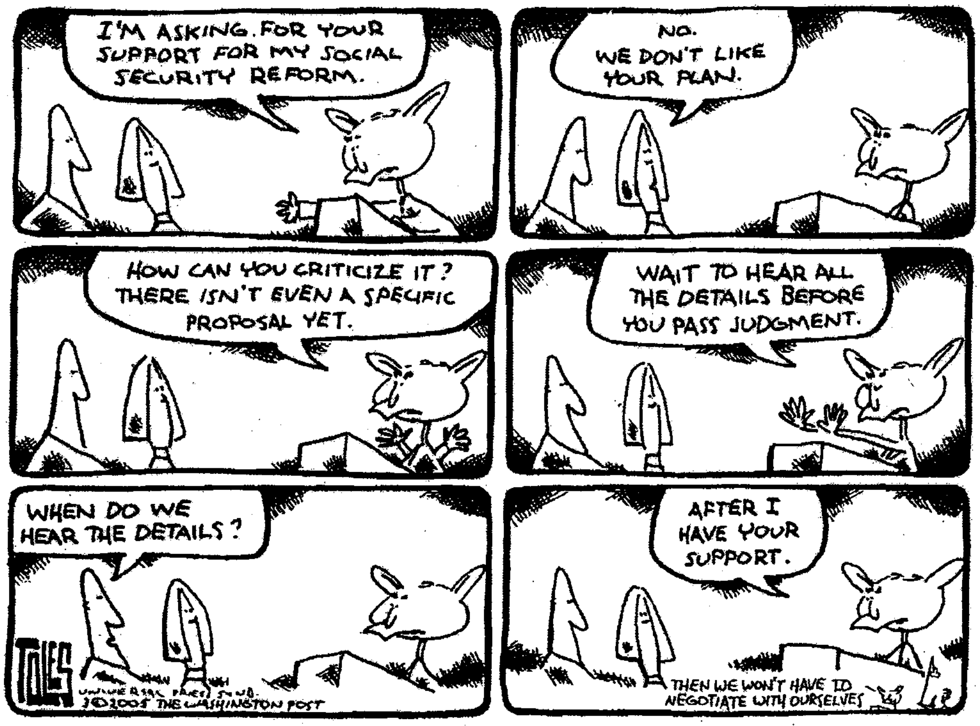
WASHINGTON

AMERICAN POLITICS has been so corrupted by concepts such as "positioning" and "message discipline" that citizens don't get credit for their ability to decide issues on the merits. But when the public knows and cares a great deal about what's at stake, it is quite discerning about what's true and what's not.

That's why President Bush's troubles on Social Security cannot be explained by some alleged failure of the White House's usually impeccable communications operation. Conventional explanations fail because this is a battle over principle in which the facts matter.

■

So far, the president has made at least four mistakes. He assumed he could persuade the country that Social Security faces a crisis requiring urgent action. He thought he could accentuate the positive — those "personal accounts" really do *sound* great — without laying out what they would cost. He counted on getting good-government points by "facing up" to Social Security's long-term problems without proposing any hard steps to fix them. And he figured that some Democrats would fall his way simply because that's what has always happened before.



The "crisis" claim didn't fly because it wasn't true. The president himself has gotten more careful in how he speaks about the long-term shortfall because the moment he notes that the Social Security trust fund does not run dry until somewhere between 2042 and 2052, the notion of a crisis goes up in smoke.

As for personal accounts, their more forthright advocates acknowledge that paying for them will require either substantial tax increases or borrowing on the order of $2 trillion. Bush has finessed this nasty detail hoping that such brave Republican legislators as Sens. Lindsay Graham and Chuck Hagel would take the hit for delivering the bad news. The president could later claim success for the enactment of a "package" brought about through a secular version of immaculate conception. But if the president really believes in these accounts, why won't he step up and say how he'd pay for them?

The same critique applies to Bush's hope that he'd get credit for courage in talking about Social Security's problems. Here again, Bush lets members of Congress float proposals for benefit cuts and tax increases without formally embracing any as his own. Polls show Bush's credibility on Social Security dropping because citizens know there must be some pain in his proposal somewhere, and they want him to be candid about it.

And then there are those pesky Democrats. Rep. David Obey says his party colleagues can't be expected to put forward a full alternative to Bush's ideas until a Bush plan actually exists. "Given that he's the person who says that this debate needs to start now and needs to start with such a radical approach, he's got an obligation to lay his specific plan on the table," Obey says. "What he's put on the table is not a plan. It's a concept — and Congress doesn't enact concepts."

Obey has credibility on this question because he introduced a

> *Polls show Bush's credibility on Social Security dropping because citizens know there must be some pain in his proposal somewhere, and they want him to be candid about it.*

Social Security fix of his own in the last Congress. Based roughly on ideas put forward by Robert Ball, a former Social Security commissioner, Obey's plan would guarantee solvency through a mix of tax increases and modest benefit cuts. Obey said he put the "fine tuning" concepts forward to show that "you don't have to destroy Social Security in order to save it."

Bush faces unexpectedly severe Democratic fire because Social Security is one issue where the Democrats' political interests and their political faith coincide.

"Believe it or not," Obey says, "Democrats do have core values, and those values are brought upfront by issues such as Social Security and Medicare." Both are cases in which government has "substituted the social gospel for social Darwinism." He adds: "We really do believe it would be immoral to blow up the one program that sends the signal that we are all in this together." Those cynical about Democratic motives make a tactical blunder if they ignore the practical impact of this intense sense of mission. Liberals made the same mistake in underestimating the passion of conservative supply-siders.

■

Where does this leave a president? Dropping his call for private accounts carved out of Social Security would allow him to win bipartisan approval for moderate fixes to make the retirement system solvent for decades. Alternatively, he could put forward a serious and detailed plan for private accounts and invite an honest and instructive philosophical face-off with the Democrats on the future of social insurance.

The lesson of the first round of the Social Security debate is that the public won't bet on Bush's ideas until he reveals the cards he's holding back.

Washington Post Writers Group

Annihilation trumps negotiation

BERKSHIRE EAGLE 3/5/05

By Ronald Brownstein

To Fight the AARP Over Social Security, Bush Backers Create USA Next To Slug It Out

LOS ANGELES

AS SYNONYMS for the word "vile," my thesaurus offers some of the following: offensive, objectionable, odious, repulsive, repellent, repugnant, revolting, disgusting, sickening, loathsome, foul, nasty, contemptible, despicable and noxious.

Any of those words would aptly describe the advertising attack launched last week on AARP, the largest advocacy group for seniors, by the conservative interest group USA Next. But there's one word that unfortunately can't be applied: surprising.

The salvo against AARP crystallizes trends developing both in the debate over Social Security and more broadly in the competition between the parties in Washington. On both fronts, the news isn't good.

■

USA Next, which envisions itself as the conservative alternative to AARP, previously made its biggest splash by using drug company money to help fund an ad blitz promoting the Medicare prescription drug plan backed by President Bush and the pharmaceutical industry. That led critics to accuse the organization of operating as a front group for the drug makers.

Last week, USA Next announced it would spend $10 million on an ad campaign attacking AARP over its opposition to Bush's proposal to create private investment accounts funded by the Social Security payroll tax. USA Next opened the campaign with an Internet-only ad that uses logic so contorted it verges on parody to accuse AARP of opposing the military and supporting gay marriage.

Charlie Jarvis, the group's chairman and a former aide to President Reagan and religious conservative powerhouse James Dobson, promised that was just the start for AARP. "They are the boulder in the middle of the highway to personal savings accounts," Jarvis told the New York Times. "We will be the dynamite that removes them."

In 50 years, historians may study that quote to understand why Washington now feels so much like Beirut.

AARP represents 35 million seniors. Like any lobbying group, it sometimes slights the national interest while pursuing its members' interests. And it is emerging as a major obstacle on Capitol Hill for Bush's proposal to carve out investment accounts from the payroll tax.

But the organization has never ruled out supporting individual investment accounts as an addition to Social Security. And in a recent speech, its chief executive, William Novelli, left open the door to "possibly adjusting benefits" — i.e., cutting them — in an overall reform package.

With those positions, the group could contribute to a legislative compromise that advances the top two goals Bush has articulated: expanding ownership and closing Social Security's long-term financing gap. Indeed, Bush's odds of reaching any Social Security deal before 2006 will be much greater if he can win support, or even neutrality, from the AARP.

Yet the USA Next attacks aim not to convert AARP, but to annihilate it. The ad seems designed to inflame antagonism and discourage negotiation. It ignores the truism that once moderated political rivalry: any adversary today may be an ally tomorrow.

It's tempting to view the USA Next attack as an anomaly driven by the group's desire to expand its market share as a voice for conservative seniors. Yet it fits a larger pattern.

Every year, more of the informal rules that restrained the competition between the parties, the political equivalents of the Geneva Convention, are dissolving. In the past, a group like AARP that criticized a president's initiative might have expected some return fire from the president's administration. Now it is a war of all against all, as activists allied with both parties routinely strafe any institution or individual they believe is aiding the other side.

The tone wasn't nearly as venomous, but it's worth remembering that the giant liberal online advocacy group MoveOn.org encouraged its members to resign in protest from the AARP when the group backed Bush's prescription drug plan.

The underlying message to AARP from both MoveOn and USA Next is the same: it must choose sides. That pressure tracks the rising criticism of the mainstream media from activists in both parties. On both left and right, the assumption is deepening that in this highly contentious political environment no one can ever really operate as a neutral broker.

Instead, politics is reduced to a binary choice: news organizations, lobbying groups and centrist legislators searching for common ground are all either with or against you. And when they are against you, they must be overrun by any means necessary.

"It's like a religious war," says John Rother, AARP's policy director. "If you are not in the same thought camp as they are, then you are the enemy. And it's actually true on the left as well as the right, but even more on the right."

■

The USA Next attacks on AARP so spectacularly set back the cause of restructuring Social Security that they deepen suspicion that conservatives are less interested in striking a deal than provoking a stalemate they can use as an issue in the 2006 and 2008 elections. When House Republican leaders rejected Bush's suggestion that he would be open to raising more revenue from the payroll tax — probably the ante for serious negotiations with Democrats or AARP — they signaled they might be thinking the same way. Most congressional Democrats seem just as dug in. And liberal activists appear as determined as those on the right to punish anyone on their team who explores compromises.

After four years of bruising partisan warfare under Bush, the two parties simply may not trust each other enough to undertake a change as momentous as reshaping Social Security. If nothing else, the USA Next ads may provide a service by making plain that for many involved in this debate, it already is more about framing future political campaigns than rethinking retirement security.

The Los Angeles Times

RUTH BASS

Egg in hand is good deal

RICHMOND

The saying goes that you have to kiss a lot of frogs before you meet the handsome prince. It's not a nice prospect, but if that's what it takes, the princesses will no doubt get in line. Everyone else must wait for the queen's permission to queue up.

It's also true that you have to sort through a lot of verbiage and paper before you find reality in the Social Security debate. Fortunately, while the nation's media have been pretty lily-livered on a plethora of issues in the past eight years or so, they have done some yeoman service on Social Security. And although the Bush administration has tried to fan the flames of fear on this front — as it has successfully managed on several others — Americans seem to be getting it. Social Security is not about to collapse like a house of cards when someone jiggles the table. Various factors may have reduced its muscle a bit, but it's nothing that some thoughtful workouts can't put back in place. Transplants and artificial parts aren't needed.

■

One of the last things America's workers need is the ability to put some of their Social Security money into private investments. For the folks in Washington, that's a way to give the stock market a vitamin pill. For the worker, it may prove not only a frustration, but a temptation to take risks that should not be taken with retirement nest eggs.

Leave those babies under the governmental chicken. She may be a frumpy old hen, crotchety even, but she's dependable. She hunts and pecks and keeps the eggs warm until they are required to hatch, providing Congress doesn't sneak in there and snitch some.

The worker, on the other hand, might take the retirement money and plunk all of it into soaring tech stocks, if that were the rage of the moment. And then watch it disappear when that part of the economy popped its plug.

Ever since companies started to abandon defined benefit plans for their employees — the old-fashioned, company-financed pension — America's workers have had their own chance to risk retirement money. The 401(k) is in place at most large businesses, unless the business has cut future retirees loose altogether. And the employee makes the decisions on how his or her money will be invested. Some, especially if they're young and time is on their side, put most of the contributions into stocks that are risky but have growth potential. Others stick with safer things.

So, privatization of Social Security would mean, for many workers, that they'd have two kinds of retirement money in the market. One is quite enough, especially if a person has the bad luck to retire just when the market has taken one of its periodic dives. (Some GE employees can tell you how much fun life was when their GE stock dropped just as they were sending offspring off to college.)

■

A January article in The New York Times is the prince among all those frogs. The writer, probably in a minority nationwide, actually read the 225-page report of the Social Security trustees and came to the conclusion that the program is not in crisis. It's worth a trip to the library to find the Jan. 16 piece and wade through it — wade because it's not exactly Agatha Christie prose.

One of the sections where the reading speeds up is when the writer, Roger Lowenstein, includes a little history of Social Security's hatching, including how the conservative Hearst newspapers, on learning that every worker would get a number, published illustrations of a man wearing a chain with a dog tag.

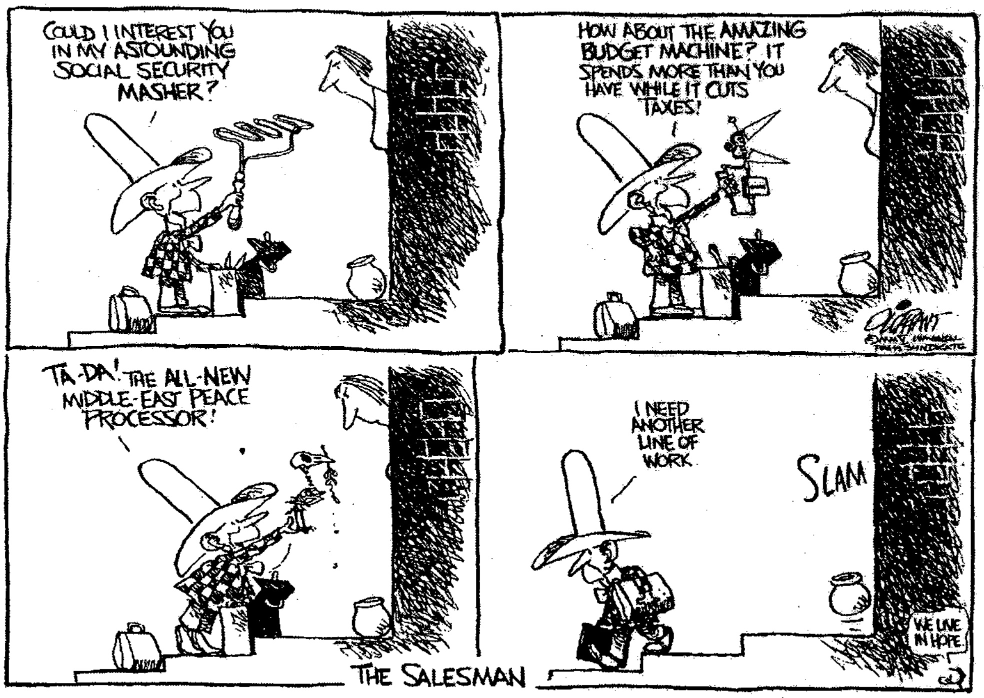
Lowenstein makes very clear why it's easy for politicians to say Social Security is dangling over a cliff. The money that is sent in by you and me goes into a trust fund and is invested in U.S. Treasury bills, which usually have a decent return. The dangle comes when senators and representatives spend that money. Whenever Congress raided the Social Security surplus for bridges in Colorado, tunnels in Massachusetts, Humvees in Iraq or farm subsidies, it reduced the chance that the trust fund could get through tougher times.

It's a bipartisan sin, this hand in the Social Security nest, but it's a big piece of the problem. It is apparent that when there's a surplus in Social Security, Congress must keep its fingers off that money.

Lowenstein grants that some adjustments would be a good idea. His piece does not prove that privatization of the investments by individual workers would be a good thing — on the contrary, it would cost a lot of money and let people risk losing a Linus blanket that has given them a scrap of security for more than half a century.

Bush time bombs set for four years

By Thomas Oliphant



WASHINGTON

NO WONDER Dick Cheney swears he will never run for president. Even a quick peek at the astonishingly dishonest federal budget the administration released this week shows that President Bush and his veep plan on leaving ticking time bombs behind when they get out of town four years hence. By general agreement, the government's finances are lacking in elementary credibility. That's now. What is less well understood is how much of Bush's budgetary buffoonery is meant to become apparent after his successor is in office.

The first clue to the truth lies in a measure of the federal deficit this crowd adores obscuring but is forced by law to disclose. It's found only in a large table buried in the budget documents and estimates the government's operating red ink — the amount by which spending exceeds revenue from income taxes and other fees. Last year it was far above the deficit figure that that typically makes its way into headlines — $567 billion, compared with the "official" figure of $412 billion.

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The difference is almost entirely accounted for by the large surplus in Social Security payroll taxes over benefit spending that the government "borrows" to make the books look less ridiculous. The higher number, however, is the amount of red ink that has to be financed by borrowing. And, as the budget documents also make clear, that operating deficit will be staying above a half-trillion dollars annually, swelling the national debt into the stratosphere.

But that's only the tip the iceberg. The real outrage is the deliberate avoidance of unavoidable costs that the country faces if steps Bush wants to take are taken. If these steps are taken into account, a bad enough national debt of slightly more than $3 trillion four years ago will easily clear $11 trillion in a decade.

One of those steps involves the wars in Iraq and Afghanistan. Bush does not budget these enormous costs — he sends the bill to Congress after they have been incurred. There is, for example, an $80 billion request for the rest of the year, with others certain to follow. Projecting the costs of ongoing operations, there is more than $400 billion in war costs around the corner that the budget pretends don't exist.

An even larger sum is involved with Bush's insistence that Congress make all of the income tax cuts enacted since 2001 permanent. The budget masks the bulk of the costs. Making the income tax cuts permanent would add no more than $100 billion to the debt over the rest of this decade. But in the five years after that, when the full fiscal effect would be felt, the tax cuts add a whopping $1.9 trillion to the debt burden.

Bush has also continued his practice of ignoring an enormous tax issue — the increasingly onerous nature of what's called the alternative minimum tax. This is a provision in basic tax law that requires a minimal income tax payment regardless of how much income a taxpayer can shield through the loophole system. It was designed to catch very rich people with smart lawyers, but it is starting to catch ordinary people. By credible estimates, at least 10 million Americans will pay the alternative minimum in a decade if the tax cuts are made permanent. Since the result would be a revolution, a change in the law is considered inevitable, but the Bush budget makes no provision for one. Just for the record, fixing the problem would add at least $770 billion to the debt by 2015.

The government's finances lack credibility. What is less well understood is how much of Bush's budgetary buffoonery is meant to become apparent after his successor is in office.

■

Also missing from the budget is any hint of what's in store for Social Security. The official reason is that Bush hasn't made a proposal, but this is a dodge. He has said enough about his beloved private investment accounts to make an estimation possible. He has said they would not be phased in until the first year Bush has left office; he would also divert 4 percent of the payroll tax from revenues that pay for current beneficiaries. On that basis, nearly $800 billion in so-called transition costs would be incurred by 2015.

Nothing Bush proposed would put a dent in this outlook. With these kinds of debt burdens, major economic consequences are unavoidable. The Bush-Cheney hope, however, is that they will be long gone by the time the country has to deal with the consequences of their profligacy.

The Boston Globe

From GM model to Wal-Mart model

By Paul Krugman

NEW YORK

STANDARD AND Poor's, a bond rating agency, has downgraded both Ford and General Motors bonds to junk status. That is, it sees a significant risk that the companies won't be able to pay their debts.

Don't cry for the bondholders, but do cry for the workers.

Standard and Poor's downgraded GM and Ford sooner rather than later because it believes that the public is losing interest in SUVs. But the companies were vulnerable because they still pay decent wages and offer good benefits, in an age when taking care of employees has gone out of style. In particular, they are weighed down by health care costs for current and retired workers, which run to about $1,500 per vehicle at GM.

So the downgrade was a reminder of how far we have come from the days when hard-working Americans could count on a reasonable degree of economic security.

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In 1968, when General Motors was a widely emulated icon of American business, many of its workers were lifetime employees. On average, they earned about $29,000 a year in today's dollars, a solidly middle-class income at the time. They also had generous health and retirement benefits.

Since then, America has grown much richer, but American workers have become far less secure.

Today, Wal-Mart is America's largest corporation. Like GM in its prime, it has become a widely emulated business icon. But there the resemblance ends.

The average full-time Wal-Mart employee is paid only about $17,000 a year. The company's health care plan covers fewer than half of its workers.

True, not everyone is badly paid. In 1968, the head of General Motors received about $4 million in today's dollars — and that was considered extravagant. But last year Scott Lee Jr., Wal-Mart's chief executive, was paid $17.5 million. That is, every two weeks Lee was paid about as much as his average employee will earn in a lifetime.

Not that many of them will actually spend a lifetime at Wal-Mart: more than 40 percent of the company's workers leave every year.

I'm not trying either to romanticize the General Motors of yore or to portray Wal-Mart as the root of all evil. GM was, and Wal-Mart is, a product of its time. And there's no easy way to reverse the changes.

What should be clear, however, is that the public safety net FDR and LBJ created is more important than ever, now that workers in the world's richest nation can no longer count on the private sector to provide them with economic security.

When they reach 65, most Wal-Mart employees will rely heavily on Social Security — if the privatizers don't kill it. And many Wal-Mart employees already rely on Medicaid to pay for health care, especially for their children.

Indeed, a growing number of working Americans have turned to Medicaid. As the Kaiser Family Foundation points out, that's why children have for the most part have retained health coverage, despite a sharp decline in employer-based health insurance since 2000.

The downgrade was a reminder of how far we have come from the days when hard-working Americans could count on a reasonable degree of economic security.

Yet our current political leaders are trying to privatize Social Security and reduce benefits. And they are slashing funds for Medicaid even as they give big tax cuts to people like Lee.

The attack on the safety net is motivated by ideology, not popular demand. The public isn't taken with the vision of an "ownership society"; it seems to want more, not less, social insurance. According to a poll cited in a recent Business Week article titled "Safety Net Nation," 67 percent of Americans think we should guarantee health care to all citizens; just 27 percent disagree.

The question is whether the public's desire for a stronger safety net will finally be seconded by corporations that haven't yet adopted the Wal-Mart model of minimal benefits and always low wages.

■

Last year Richard Wagoner Jr., GM's chief executive, gave a speech about the costs of America's "Kafkaesque" health care system that sounded a lot like my recent columns. And his company has made it clear that it likes Canada's system: In 2002 the president of General Motors of Canada and the head of the Canadian Auto Workers signed a joint letter declaring that "it is vitally important that the publicly funded health care system be preserved and renewed."

But according to The Journal Register News Service, which covered Wagoner's speech, he "stressed later to reporters that he was not proposing a national health care plan." Why not?

The New York Times

Health care is the real problem

By Paul Krugman

NEW YORK

THOSE OF us who accuse the administration of inventing a Social Security crisis are often accused, in return, of do-nothingism, of refusing to face up to the nation's problems. I plead not guilty: America does face a real crisis — but it's in health care, not Social Security.

Well-informed business executives agree. A recent survey of chief financial officers at major corporations found that 65 percent regard immediate action on health care costs as "very important." Only 31 percent said the same about Social Security reform.

But serious health care reform isn't on the table, and in the current political climate it probably can't be. You see, the health care crisis is ideologically inconvenient.

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Let's start with some basic facts about health care.

Notice that I said "health care reform," not "Medicare reform." The rising cost of Medicare may loom large in political discussion, because it's a government program (and because it's often, wrongly, lumped together with Social Security by the crisis-mongers), but this isn't a story of runaway government spending. The costs of Medicare and of private health plans are both rising much faster than gross domestic product per capita, and at about the same rate per enrollee.

So what we're really facing is rapidly rising spending on health care generally, not just the part of health care currently paid for by taxpayers.

Rising health care spending isn't primarily the result of medical price inflation. It's primarily a response to innovation: The range of things that medicine can do keeps increasing. For example, Medicare recently started paying for implanted cardiac devices in many patients with heart trouble, now that research has shown them to be highly effective. This is good news, not bad.

So what's the problem? Why not welcome medical progress, and consider its costs money well spent? There are three answers.

First, America's traditional private health insurance system, in which workers get coverage through their employers, is unraveling. The Kaiser Family Foundation estimates that in 2004 there were at least 5 million fewer jobs with health insurance than in 2001. And health care costs have become a major burden on those businesses that continue to provide insurance coverage: General Motors now spends about $1,500 on health care for every car it produces.

Second, rising Medicare spending may be a sign of progress, but it still must be paid for — and right now few politicians are willing to talk about the tax increases that will be needed if the program is to make medical advances available to all older Americans.

Finally, the U.S. health care system is wildly inefficient. Americans tend to believe that we have the best health care system in the world. (I've encountered members of the journalistic elite who flatly refuse to believe that France ranks much better on most measures of health care quality than the United States.) But it isn't true. We spend far more per person on health care than any other country — 75 percent more than Canada or France — yet rank near the bottom among industrial countries in indicators from life expectancy to infant mortality.

We spend far more per person on health care than any other country yet rank near the bottom among industrial countries in indicators from life expectancy to infant mortality.

This last point is, in a way, good news. In the long run, medical progress may force us to make a harsh choice: If we don't want to become a society in which the rich get life-saving medical treatment and the rest of us don't, we'll have to pay much higher taxes. The vast waste in our current system means, however, that effective reform could both improve quality and cut costs, postponing the day of reckoning.

To get effective reform, however, we'll need to shed some preconceptions — in particular, the ideologically driven belief that government is always the problem and market competition is always the solution.

■

The fact is that in health care, the private sector is often bloated and bureaucratic, while some government agencies — notably the Veterans Administration system — are lean and efficient. In health care, competition and personal choice can and do lead to higher costs and lower quality. The United States has the most privatized, competitive health system in the advanced world; it also has by far the highest costs, and close to the worst results.

Over the next few weeks I'll back up these assertions, and talk about what a workable health care reform might look like, if we can get ideology out of the way.

The New York Times

Tracking the health care dollar

By Dr. Susanne King

> *In their rush to compete with each other, advertising will be a significant and unnecessary expenditure in the administrative costs of insurance companies.*

LENOX

THE BERKSHIRE Eagle reported recently that the United States government will soon cover almost half of the nation's health care costs, as a result of the new Medicare drug program that starts next year. The federal share of the nation's health care costs has risen dramatically over the past 40 years. In 1965, the government covered only 25 percent of health costs, and private parties paid 75 percent; the government's share has almost doubled over that time, and is predicted to continue to rise.

In Pittsfield, the amount of federal income tax that goes toward the government's share of the health care budget is 20 percent. This means that of the $4,664 in federal taxes paid by an average household in Pittsfield in 2003, $917 went toward health care (this is in addition to any sums paid by the family or their employers for health insurance or other health care costs). The other large expenditures from federal income taxes in Pittsfield were $1,373 for the military (29 percent), and $922 for interest on the federal debt (20 percent), of which half is for military expenses.

The federal debt of course subsidizes China's roaring economy, since they hold a large part of our government loans. And the increase in government spending for the health care budget obviously comes at the expense of other programs, like education (4 percent of our federal tax dollars in 2003) and housing (2 percent).

Who is benefiting from all the tax dollars you and I pay for health care? Federal employees, veterans, and recipients of Medicaid and Medicare are all beneficiaries. Medicare costs will increase dramatically with the new drug benefit. Including a drug benefit in Medicare is necessary, as is caring for our elderly, our impoverished citizens, and those who serve our country. But the patients in these programs are not the only beneficiaries of our tax dollars.

■

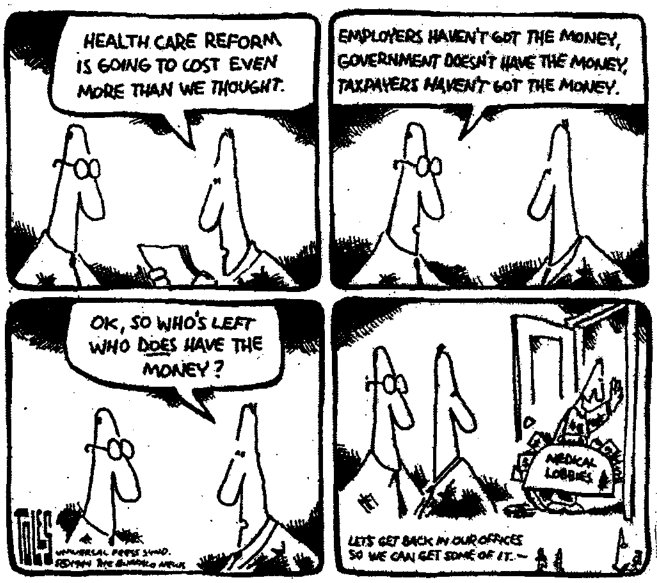
President Bush has decided to allow private insurance companies to administer this new benefit, rather than having Medicare be the administrator. Medicare currently has a 3 percent administrative cost, in contrast with up to 40 percent for private insurance companies. This is the first step in Bush's attempt to privatize the current Medicare system. He is giving insurance companies financial inducements to sign up seniors for their HMOs, in addition to the profits they will make from administering the program.

Of course in their rush to compete with each other, advertising will be a significant and unnecessary expenditure in their administrative costs. The drug companies also stand to make windfall profits, to which you and I will contribute with our tax dollars. The government will not negotiate prices, but will allow drug and insurance companies to set their own prices. No other country does this. Every other industrialized country has a national health plan, funded and administered by the government, that negotiates with drug companies and sets ceilings on prices. That is why we as Americans pay so much more for our drugs than do other industrialized countries. Drug companies make their biggest profits in the United States, and they are determined to keep things that way.

We need to reform the current health care system and eliminate the profiteering of drug and insurance companies. We need a single-payer health care system funded and administered by the government, a national health insurance program that would cover everyone. Eliminating the insurance companies would save $200 billion per year in administrative costs; there would be no shareholder profits or enormous CEO salaries (up to $76 million/year). Eliminating the profiteering of drug companies by setting caps on drug prices would allow another huge savings in our health care budget.

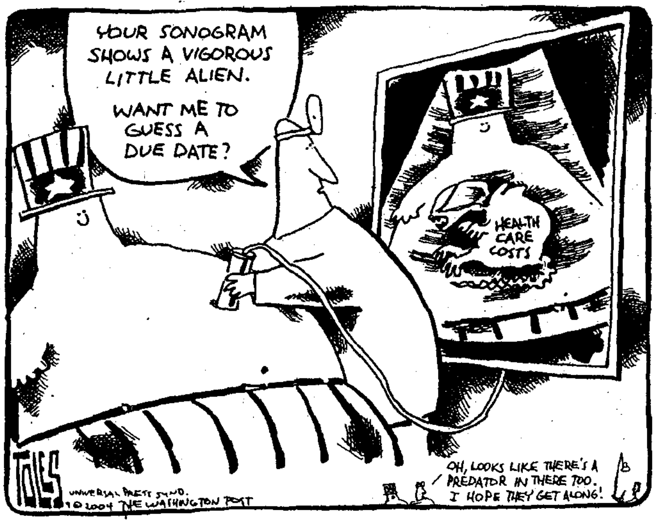
We need to spend our federal tax dollars more wisely, and we need to spend our health care dollars on health, not corporate profits.

Dr. Susanne L. King is a frequent Eagle contributor.



CEOs should go nuclear on health care

By Matt Miller



NEW YORK
THE CONSUMING Senate slugfest over judges (vital as they are) proves how Washington remains determined to fiddle while our biggest problem burns: a broken health care system that threatens working families and national competitiveness.

President Bush — who, with 51 percent of the vote, has set 100 percent of the agenda — has taken a pass. And the terms of the debate remain surreal. After all, Margaret Thatcher would have been driven from office if she'd proposed anything as radically **conservative** as Bill Clinton's health plan, which would have left millions uncovered and had private doctors deliver the care.

Is there hope? Maybe. But only if America's chief executives exercise their "nuclear option."

■

Here's the logic. Washington will offer zero leadership on health reform until 2009. The only way we'll get serious then is if the campaign in 2008 centers on health. The only way that will happen is if groundwork is laid in advance. And the only way this groundwork will get traction is if America's CEOs make it their mission.

Various groups (including one I'm paid to advise) have tried, without much luck, to energize this debate. CEOs are the one group with the incentive and the clout to take it on.

So what should the chief executives do? Even if we don't have presidential leadership now, we desperately need the "presidential perspective." By this I mean a view of our challenges that doesn't reflect the narrow agenda of business or labor, or the medical-industrial complex. Instead, we need a "big picture" framework, a way to engage the press and the public in the right strategic goals.

Here's my version of the script: A dozen marquee CEOs would convene a "Manhattan Project"-style effort on the future of health care. They'd propose a new goal: instead of health costs rising from today's 15 percent of GDP to 20 percent by around 2020, as is now projected, the nation should shave 2 to 3 percentage points of GDP (or more) off projected growth in ways that improve quality, even as we extend coverage to the 45 million uninsured.

Our chief executives would explain that this is doable because today's system costs too much and delivers too little.

(Quick review: We spend 15 percent of GDP on health. Other rich nations spend 10 percent or less, but they manage to insure everyone — and have equal or better public health outcomes. And we have huge variations in practice patterns and medical spending that bear no relation to quality. Bottom line: radical inefficiency.)

Our CEOs would add that a new health strategy would get excess costs off businesses' backs — costs that competitors don't face in countries where governments pick up the tab. It would re-engineer the delivery of care so governments would have cash left for other purposes. And it would cope with the political reality that every dollar of health care "waste" is somebody's dollar of income.

The group would issue a report in late 2007 with a full-blown agenda for the next president. Done right, the "Jones" Report (aspiring CEO statesmen or stateswomen, picture your name here!) would become the touchstone for all health care talk in the campaign.

■

Now my rules for participation: First, only chief executives prepared to invest real time need apply. This shouldn't be a bar; health costs now loom so large that CEOs are destined to focus on the problem. They can't fix it alone, so they may as well fix it for everyone. (As a lure, we might enact a 100 percent short-term capital gains tax on their stocks during the life of the group to banish speculators and free the chiefs to think long-term.)

Next, eligible CEOs have to grasp that most rhetoric in the health debate — as exemplified by the Thatcher example above — is rubbish. Republican CEOs who think "big government" is always the problem may be at special psychic risk.

> *Spiraling health costs have aligned corporate interests with workers' for the first time in ages.*

■

Critics may shout: Why should we want some lavishly paid bosses to take the lead? Well, for starters, as the Clinton debacle proved, if business doesn't buy in, nothing that matters here can change. But beyond this, spiraling health costs have aligned corporate interests with workers' for the first time in ages. My hunch is that inside many car and computer and bank and energy moguls, tomorrow's political heroes are dying to get out.

Ordinarily a bold call for a commission is a way to punt, but given today's leadership vacuum, it's a way to start. I'm not saying that this will end with CEOs marching on Washington to demand "Margaret Thatcher-style universal health coverage." But I wouldn't rule it out either.

The New York Times

Matt Miller is the author of "The 2 Percent Solution: Fixing America's Problems in Ways Liberals and Conservatives Can Love." Maureen Dowd is on book leave.

Quote

Republicans have been beating on this issue since the end of the Roosevelt presidency, and they have been consistently off the mark. This idea that Roosevelt and Churchill gave away Eastern Europe to the Soviets is nonsense.

Robert Dallek, a Boston University historian and an expert on Roosevelt's foreign policy, on criticism of the Yalta agreement of 1945 by President Bush

Greenspan's lost credibility

By Paul Krugman

NEW YORK

FOUR YEARS ago, Alan Greenspan urged Congress to cut taxes, asserting that the federal government was in imminent danger of paying off too much debt.

On Wednesday, the Fed chairman warned Congress of the opposite fiscal danger: He asserted that there would be large budget deficits for the foreseeable future, leading to an unsustainable rise in federal debt. But he counseled against reversing the tax cuts, calling instead for cuts in Social Security, Medicare and Medicaid.

Does anyone still take Greenspan's pose as a nonpartisan font of wisdom seriously?

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When Greenspan made his contorted argument for tax cuts back in 2001, his reputation made it hard for many observers to admit the obvious: He was mainly looking for some way to do the Bush administration a political favor. But there's no reason to be taken in by his equally weak, contorted argument against reversing those cuts today.

To put Greenspan's game of fiscal three-card monte in perspective, remember that the push for Social Security privatization is only part of the right's strategy for dismantling the New Deal and the Great Society. The other big piece of that strategy is the use of tax cuts to "starve the beast."

Until the 1970s, conservatives tended to be open about their disdain for Social Security and Medicare. But honesty was bad politics, because voters value those programs.

> *Does anyone still take Greenspan's pose as a nonpartisan font of wisdom seriously?*

So conservative intellectuals proposed a bait-and-switch strategy: First, advocate tax cuts, using whatever rationale you think might work — supply-side economics, inflated budget projections, whatever. Then, use the resulting deficits to argue for slashing government spending.

And that's the story of the last four years. In 2001, President Bush and Greenspan justified tax cuts with sunny predictions that the budget would remain comfortably in surplus. But Bush's advisers knew that the tax cuts would probably cause budget problems, and welcomed the prospect.

In fact, Bush celebrated the budget's initial slide into deficit. In the summer of 2001 he called plunging federal revenue "incredibly positive news" because it would "put a straightjacket" on federal spending.

To keep that straightjacket on, however, those who sold tax cuts with the assurance that they were easily affordable must convince the public that the cuts can't be reversed now that those assurances have proved false. And Greenspan has once again tried to come to the president's aid, insisting this week that we should deal with deficits "primarily, if not wholly" by slashing Social Security and Medicare because tax increases would "pose significant risks to economic growth."

Really? America prospered for half a century under a level of federal taxes higher than the one we face today — according to the administration's own estimates, Bush's second term will see the lowest tax take as a percentage of GDP since the Truman administration. And don't forget that President Bill Clinton's 1993 tax increase ushered in an economic boom. Why, exactly, are tax increases out of the question?

OK, enough about Greenspan. The real news is the growing evidence that the political theory behind the Bush tax cuts was as wrong as the economic theory.

According to starve-the-beast doctrine, right-wing politicians can use the big deficits generated by tax cuts as an excuse to slash social insurance programs. Bush's advisers thought that it would prove especially easy to sell benefit cuts in the context of Social Security privatization because the president could pretend that a plan that sharply cut benefits would actually be good for workers.

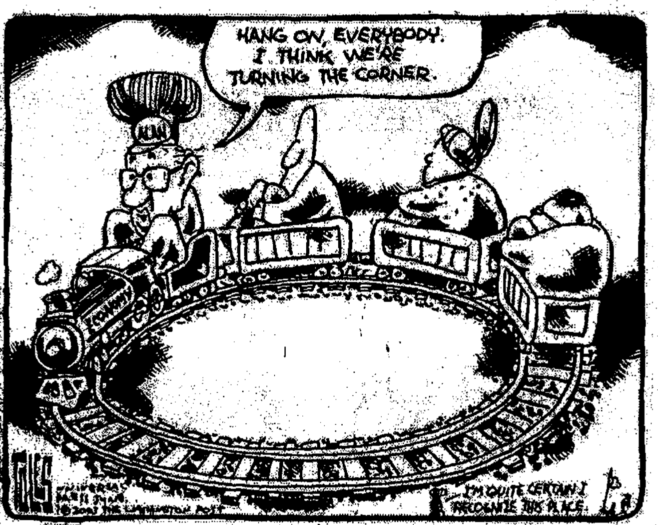
But the theory isn't working. As soon as voters heard that privatization would involve benefit cuts, support for Social Security "reform" plunged. Another sign of the theory's falsity: Across the nation, Republican governors, finding that voters really want adequate public services, are talking about tax increases.

■

The best bet now is that Bush will manage to make the poor suffer, but fail to make a dent in the great middle-class entitlement programs.

And the consequence of the failure of the starve-the-beast theory is a looming fiscal crisis — Greenspan isn't wrong about that. The middle class won't give up programs that are essential to its financial security; the right won't give up tax cuts that it sold on false pretenses. The only question now is when foreign investors, who have financed our deficits so far, will decide to pull the plug.

The New York Times



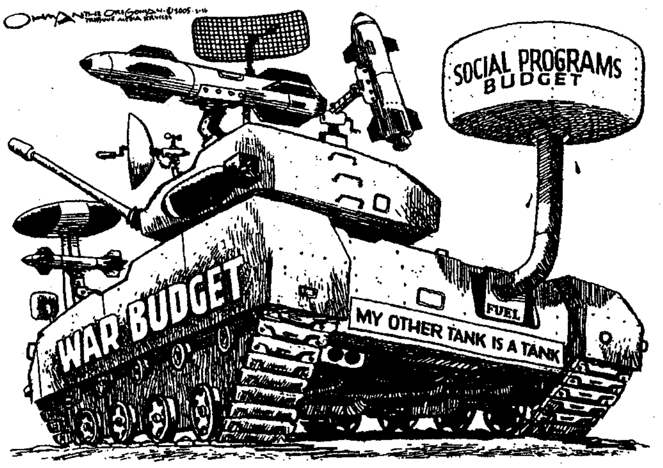
More Republican than Republicans

By Michael Kinsley

LOS ANGELES

IT WAS the TV talker Chris Matthews, I believe, who first labeled Democrats and Republicans the "Mommy Party" and the "Daddy Party." Archaic as these stereotypes may be, they do capture general attitudes about the two parties. But we live in the age of the one-parent family, and it is Mom, more often than Dad, who must play both roles.

It has not escaped notice that the Daddy Party has been fiscally misbehaving. But it hasn't really sunk in how completely the Republicans have abandoned allegedly Republican values — if, in fact, they ever really had such values.



Spending goes up faster under Republican presidents than under Democratic ones. And the economy grows faster under Democrats than Republicans. What grows faster under Republicans is debt.

■

Our text today is the 2005 Economic Report of the President. I did this exercise a year ago, and couldn't quite believe the results. But the 2005 data confirm it: The party with the best record of serving Republican economic values is the Democrats. It isn't even close.

The values I'm referring to are widely shared. We all want prosperity, we oppose unemployment, we dislike inflation, we don't enjoy paying taxes, etc. They're Republican only in the sense that Republicans are supposed to treasure them more, and to be more reluctant to sacrifice them for other goals, such as equality or clean air.

Statistics in the Economic Report back to 1960 tell the story. And a consistent pattern over 45 years cannot be explained away by shorter-term factors, like war or who controls Congress. Maybe presidents can't affect the economy much. But the assumption that they can and do is so prominent in Republican rhetoric that they are stuck with it.

Consider federal spending (a.k.a. "big government"). It has gone up an average of about $50 billion a year under presidents of both parties. But that breaks down as $35 billion a year under Democratic presidents and $60 billion under Republicans. If you assume that it takes a year for a president's policies to take effect (so, for example, President Clinton is responsible for 2001 and George W. Bush takes over in 2002), Democrats have raised spending by $40 billion a year and Republicans by $55 billion.

Leaning over backward even further, let's start our measurement in 1981, the date when Ronald Reagan took office on a platform of shrinking government and many Republicans believe that life as we know it began. The result: Democrats still have a better record at smaller government. Republican presidents added more government spending for each year they served, whether you credit them with the actual years they served or with the year that followed.

Now look at federal revenues (a.k.a. taxes). You can't take it away from them: Republicans do cut taxes. Or rather, tax revenues go up under both parties, but only about half as fast under Republicans. This is true no matter when you start counting, or whether you give a president's policies that extra year to take effect. It's the only test of Republican economics that the Republicans win.

That is, they win if you consider lower federal revenues to be a victory. Sometimes Republicans say that cutting taxes will raise government revenues by stimulating the economy. And sometimes they say that lower revenues are good because they will lead (by some mysterious process) to lower spending.

The numbers in the Economic Report undermine both theories. Spending goes up faster under Republican presidents than under Democratic ones. And the economy grows faster under Democrats than Republicans. What grows faster under Republicans is debt.

■

Under Republican presidents since 1960, the federal deficit has averaged $131 billion a year. Under Democrats, that figure is $30 billion. In an average Republican year the deficit has grown by $36 billion. In the average Democratic year it has shrunk by $25 billion. The national debt has gone up more than $200 billion a year under Republican presidents and less than $100 billion a year under Democrats. If you start counting in 1981 or attribute responsibility with a year's delay, the numbers change, but the bottom line doesn't: Democrats do Republican economics better than Republicans do.

As for measures of general prosperity, each president inherits the economy. What counts is what happens next. Let's take just two measures, although they all show the same thing: Democrats do better under every variation.

From 1960 to 2005, the gross domestic product measured in year-2000 dollars (in other words, taking inflation into account) rose an average of $165 billion a year under Republican presidents and $212 billon a year under Democrats. Measured from 1989, or with a one-year delay, or both, the results are similar. And how about this one? The average annual rise in real per capita income (that's the statistic that puts money in your pocket): Democrats score about 30 percent higher.

Democratic presidents have a better record on inflation (averaging 3.13 percent versus 3.89 percent for Republicans) and on unemployment (5.33 percent versus 6.38 percent). Unemployment went down in the average Democratic year, up in the average Republican one.

Oh yes, almost forgot: If you start in 1981 and if you factor in a year's delay, inflation under Republican presidents averages 4.36 percent, while under Democrats it's 4.57 percent. Congratulations.

The Los Angeles Times

BILL SHEIN
Reason
Gone Mad

The nonwealthy barber

With apologies to David Chilton's "The Wealthy Barber," the best-selling book of financial advice.

"Come on up here, young man, and let's see what we can do with your remaining 27 strands of hair!"

So began a typical day for 92-year-old Port Huron, Mich., barber Roy Miller — with a cheerful greeting for an old friend who dropped in for a haircut and some of Roy's folksy financial wisdom.

For Roy, the year 2035 was shaping up to be just like 2034. With his retirement savings destroyed by the hollowing-out of the American economy, and Social Security long since eliminated, he was forced to keep cutting hair, his arthritic fingers painstakingly duct-taped to his scissors.

In the years after George W. Bush turned every part of American society over to the invisible hand — er, fist — of the free market, life had been grim for working people like Roy. And, ironically, it wasn't so good for the wealthy, either. Their Bushian gains were erased by the Panic of 2011, the Hyperinflation of 2019, and the ongoing "That 1930s Depression Has Got Nothing on This One" depression that began in 2021.

But through it all, Americans inexplicably failed to protest the economic madness. Instead, most just soldiered on with lowered expectations.

"Hi, Roy," said his friend, David, as he settled into Roy's ancient barber's chair. "Ouch! Guess you haven't fixed that broken spring," David said.

"Sorry," Roy said, smiling weakly. As he wrapped David's neck with a strip of tissue paper and covered him with a tattered apron, Roy turned to his usual topic. "So I've been reading Paul Krugman's 'Letters from a Guantanamo Jail,' and ..."

"Roy," David interrupted, certain he knew what was coming. "Can we talk about something else? Like last night's Wal-Mart Bowl? How did you get Krugman's book, anyway? I thought the Department of Wal-Mart Security burned every copy after the Blue Vest Rebellion of '24?"

Roy shrugged. "I better not say. Anyway, last night I read about the end of Social Security."

"Go on," David said, resigned.

Roy continued to trim David's hair. "You remember, of course, that President Bush and his PR wizards convinced America that Social Security was in a crisis, right? With their phony talk of looming 'bankruptcy' that was contradicted by the Social Security Administration's own actuaries!"

David chimed in. "Yeah, and they used misleading phrases like 'ownership society' — language that reminded me of the days of poll taxes and property requirements for voting," he said, watching bits of gray hair fall into his lap.

"So Congress passed a law," Roy continued, "and people began diverting some of their Social Security taxes into personal investment accounts. Remember?"

"Of course I do," David said. "Like millions of naive investors, I took the bait. Big companies like Wal-Mart avoided any increase in their share of Social Security taxes. My reward was a reduced retirement benefit and the chance to play the market."

"And then what happened?"

David sighed. "During the 2015-16 biometric company stock bubble I put my entire private Social Security account into those mental telepathy stocks — and, of course, I lost it all. Millions did. Now I eat Wal-Mart InstaNoodles for breakfast, lunch and dinner."

Roy looked sympathetic. "Unfortunately, the $2 trillion that was borrowed for 'transition costs' pushed America deeper into debt, and didn't do a thing to secure Social Security for the future. And a few years later, the economy collapsed like a house of Wal-Mart-brand playing cards."

Roy clipped his rusty scissors one final time and held up a mirror so David could see the results.

Despite a passable haircut, David looked defeated. "It was a crime, Roy. If lawsuits by individual citizens hadn't been outlawed in 2007, I would have sued someone."

As he removed David's apron, Roy shared the tragic end of America's story. "And because Wal-Mart had quietly bought up the government bonds that financed our debt, Congress was forced to sell the entire United States of America to Wal-Mart."

"If only we hadn't fallen for it," David said, showing Roy his empty wallet and pulling on his threadbare coat. "But there's no going back, right?"

Bill Shein is getting tired of so-called "reform" that benefits the powerful few.

The Hightower LOWDOWN
■ Edited by Jim Hightower and Phillip Frazer ■ Vol. 7 No. 4 ■ April 2005

SENATE BLOCKS WAGE HIKE

Time for another Gooberhead Award presented periodically to those in the news who have their tongues going 100 miles an hour...but forgot to put their brains in gear.

Today, I've got a whole gaggle of Goobers—all U.S. senators! These are the 49 Solons who recently voted to kill an increase in America's minimum wage, which has been stuck at $5.15 an hour since 1996. That comes out to about $10,500 a year for full-time work! Try making ends meet on that, as millions of Americans now have to do.

It's a moral outrage that in the richest country in the history of the world, people working 40 hours a week, 52 weeks a year, receive poverty paychecks. This is why Democratic senators offered an increase to $7.25 an hour. That's about $15,000 a year—hardly the Life of Reilly, but better.

"No," shouted the 49 senators, all Republicans. Gooberhead Mike Enzi got all ideological about it: "Wages do not cause sales," he intoned. "Sales are needed to provide wages. Wages do not cause revenue. Revenue drives wages."

Hey Mike, raise wages of working families and—and guess what—sales go up in local businesses. And corporate revenues have been going up for years—so why haven't wages?

These Goobers even tried to use the minimum-wage bill to give more tax breaks to their corporate backers, cut the over-time pay protections of workers, and ban states from raising the minimum wage for restaurant workers.

To be fair, though, the senators aren't entirely against wage increases. They've raised their own pay every year for the last five years—a total of $28,500.

THE GREED OF TELECOM GIANTS

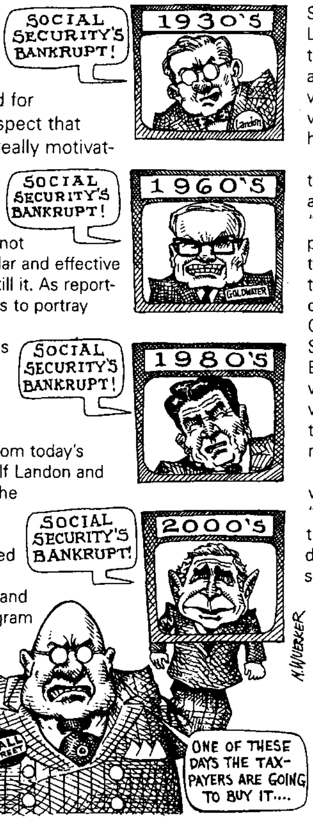
In case you have any doubt that corporations will

—*continued p. 2*

They want to fix it—just like you fix a dog

Naming the names behind the grab for Social Security

When George W says he's going to "fix" our Social Security system, I feel like a dog that's just been told, "We're taking you to the vet to get you fixed." Whether it's to dogs or to We the People, George's message is the same: This radical surgery is needed for your own good. If, however, you suspect that something besides your welfare is really motivating him...you're exactly right.



Extremist, right-wing ideology and the insatiable corporate grab for money are the two forces behind Bush's push not merely to neuter this enormously popular and effective retirement program...but ultimately to kill it. As reported in last month's *Lowdown*, step one is to portray Social Security as fatally flawed. The promised benefits are a "hoax," the taxes paid into the trust fund are "wasted" rather than invested for maximum return, and "the so-called reserve fund...is no reserve at all."

Interestingly, these are quotes not from today's alarmist Bushites but from the lips of Alf Landon and the pages of his party's platform when he was the Republican candidate for president way back in 1936! Note that the first Social Security check was not mailed until 1937, so the ideologues and big-money interests were predicting doom and gloom and trying to undermine the program even before it started.

Indeed, dismantling Social Security has been a central tenet of the right wing for nearly 70 years, and it's been an increasingly serious goal of GOP presidential politics since the hard-core right made its grab for the reins of the party's national leadership with Barry Goldwater's 1964 run. Nothing that Bush is saying today is new. Just as George is now doing, Goldwater painted a picture of a collapsing system 40 years ago, declaring that "it is not actuarially sound" and contending that he merely wanted "to make Social Security solvent, to improve it." Likewise, Ronnie Reagan called for the same sort of privatization approach now touted by Bush. "Can't we introduce voluntary features that would permit a citizen to do better on his own?" the Gipper asked.

While politicians from Goldwater to George have portrayed their assault on the program in terms of "saving" it with a curative dose of privatization, it's really the very existence of Social Security that sticks in their craw. (In '64, in a moment of candor about his real intentions, Goldwater said, "Perhaps Social Security should be abolished.") Behind this campaign is the right-wing's antigovernment dogma, which has trumped the obvious need to guarantee people a basic level of retirement security.

These are laissez-faire extremists who loathe the notion of anything "public," who cringe at the ethic of the "Common Good," and who despise any government program that supports anything other than military and corporate interests. For them, America is not about a people uniting to share society's burdens and to stretch the possibilities of individual achievement, but about people watching out for themselves and being solely responsible for their own gains, unfettered by any concern for the larger society. A leading proselytizer for this self-centered ethic of "everyone on

—continued from p. 1

always protect their private-profit interests at the expense of the public interest, consider the stealth lobbying campaign that giant phone companies and cable providers are waging in state legislatures.

Local governments in cities from San Francisco to Philadelphia and in small towns from Spanish Fork, Utah, to Kurtztown, Pennsylvania, have launched programs to guarantee universal high-speed internet access to their people and small businesses. "We didn't want to be a second-class city," says an official in Spanish Fork.

Good for them—enterprising public leadership has always helped America advance. But now Verizon, SBC, Comcast, and Bell South have unleashed their lobbyists to strong-arm state legislators all across the country to make it illegal for local governments to provide this essential service. Government has no business in their business, they say.

But city officials and consumer advocates point out that corporations have no interest in providing service in rural areas and lower-income neighborhoods and charge fees that are usually beyond the reach of regular folks. If these aloof, faraway giants won't provide the service that everyone needs, then the locals must...and will.

To join the grassroots movement for universal access, contact Consumers Union: www.hearusnow.org or 202-462-6262.

CORPORATE WELFARE GONE BAD

Would you loan $5 billion of U.S. taxpayers' money to a British-owned company so that it can make a profit by selling U.S. nuclear technology to China, which in turn is likely to copy that technology and become the world leader in manufacturing it? If that sounds like a good deal, then you've got a

—continued on p. 3

your own" is Grover Norquist, a longtime Washington lobbyist, bagman, and strategist for the far right. He says bluntly that he seeks to shrink government "to the size where I can drag it into the bathroom and drown it in the bathtub."

Because Social Security actually works and is far more efficient than private pension annuities, it is especially galling to Norquist and his allies. Living in an ideological fantasyland, they see the New Deal as the Great Evil that transformed Americans from mythic rugged individualists to weakling drones dependent on the federal government. Starting with Social Security, these sprites of the right intend to make us Americans better people by freeing us from any traces of such dependency.

"Social Security," exclaims a top executive of the privatization-boosting think tank the Cato Institute, "is the lynchpin of the welfare state." Government, such dogmatists contend, has no business worrying about things like people's retirement—let the marketplace sort that out. If they can drive a spear through Social Security, they say, they can kill the whole beast (which is how they describe our government). In short, their goal is to cancel the basic social contract struck between ordinary workaday folks and rapacious corporate power in FDR's day and to return us to that earlier, glorious age of the Robber Barons, when citizens didn't have a bunch of sissy laws, meddlesome programs, and a safety net to empower and strengthen them.

Enter George W

All of this frothing at the mouth by the right-ring fringe would merely be silly—except that the fringe has now moved into Bush's White House and Tom DeLay's Congress and is turning silly into policy.

George himself has long been a part of this journey from the wilderness. He's currently squawking like a rooster choking on a peach pit about the urgency of dealing with a looming "crisis" in Social Security, as though this issue suddenly has appeared on his radar. But he's been nurturing privatization as a policy goal from his days as a prep school brat. In 1963, while a senior at Andover, he got a copy of Goldwater's campaign manifesto, "Conscience of a Conservative." Apparently, this is a book he actually read, taking to heart Goldwater's pointed example of Social Security as a government program that would better be put in private hands, making individuals responsible for their own retirement.

Fifteen years later, Bush practiced his privatization chops while running for a West Texas congressional seat, telling an audience at the Midland Country Club that the program "will be bust in 10 years unless there are some changes." Sound familiar? His "ideal solution" back in this 1978 race will also sound familiar. He said that people should be "given the chance to invest the [Social Security] money the way they feel."

Jump ahead another 20 years to 1997, when George was governor of Texas and prepping to run for president. For help in framing his message on Social Security, he brought in Jose Piñera, the architect of Chile's ill-fated conversion to private-market retirement, and Ed Crane, head of the Cato Institute and a determined crusader for toppling Social Security. They did not have to do much selling to Boy George, who not only embraced their dogma but declared, "I do believe that privatizing Social Security is the most important issue facing the nation."

Do something!

Don't be lulled by positive polls into thinking that the Bushites simply can't pass their Social Security gut-job. Their side is going all out to win it, and we all have to do our part to stop them. The good news is that on this crucial issue, our side is strong, organized, and on the move, available to provide you with solid information and ideas for effective agitation. With their help, you can use your personal networks (church, family, coffee klatches, clubs, etc.) and your own creativity to put together a grassroots effort right where you live.

This is a time when it really is worthwhile to contact your congress critter, for even Republican members are quite skittish about pushing a Wall Street boondoggle that their constituents strongly oppose. Call their district offices and ask for an appointment to see your House and Senate members—go with two or three friends/colleagues if you're nervous about going alone. The phone numbers and addresses of your lawmakers are listed in the blue pages at the front of your phone book—look under "Government Offices, United States, Congress," or you can locate their numbers at www.senate.gov and www.house.gov.

Here a few of the good-guy groups that can help you:

AFL-CIO (*www.aflcio.org/socialsecurity*): The national labor federation has tool kits and materials to help you get organized, and you can also plug into the efforts of local unions already at work on the issue.

Campaign for America's Future (*www.ourfuture.org* or 202-955-5665): This group has extensive, pointed, easy-to-understand information, plus action alerts and lists of activist groups.

MoveOn (*www.moveon.org*): This web-active pioneer has timely information, action alerts, petitions, meet-ups, and local contacts.

AARP (*www.aarp.org* or 888-OUR-AARP [687-2277]): The largest organization of seniors, AARP is making the defeat of Bush's privatization plan its top priority and offers information, action, and local contacts.

USAction (*www.usaction.org* or 202-624-1730): This grass-roots activist network has many state/local affiliates at work on this issue and provides good materials and action tools.

Economic Policy Institute (*www.epinet.org* or 202-775-8810) and Center for Economic Policy and Research (*www.cepr.org* or 202-293-5380): These are two excellent sources for research data and detailed analyses of all aspects of the issue.

Alliance for Retired Americans (*www.retiredamericans.org* or 202-974-8222): This group works closely with union retirees across the country and has good information, materials, and local connections

The push

Today's push for those accounts has nothing to do with the program's long-term finances, as the Bushites and most media pundits tell us, and everything to do with this relentless decades-long campaign by antigovernment zealots to replace our public system with a private one. In a flash of refreshing frankness, Norquist says that Social Security should be privatized "not because the system is going broke, but because it's a lousy program."

From this corporate-backed, ideological tower, they literally plotted the demise of the public system, drawing up both the privatization policy they intended to implement and a long-term political plan for getting it done.

These two documents are to Social Security privatization what Paul Wolfowitz's 1992 "Defense Policy Guidance" memo is to the Bushites' mad scheme of unilateral, pre-emptive military strikes on Iraq and elsewhere. Cato's documents have received very little media attention, but they are key to understanding today's attack on our retirement program, for they put the lie to George's assertion that he's merely responding to a financial "crisis" in the system that suddenly has loomed on the horizon.

Indeed, the ideologues have been planning to privatize for the past quarter-century, making a constant and concerted effort to move their radical idea from the fringes of our nation's public-policy discussion to the front burner. Their push began in 1980 when Cato published a little-noticed, 600-page manifesto on privatization. To give their wacky plan a patina of legitimacy, Cato convened a 1980 Washington policy conference for staffers of conservative congress critters. "I knew this idea was too far out for serious consideration," says the author of the manifesto. "It needed vetting."

Next came the political road map, again from a little noticed document prepared under the auspices of Cato. Written in 1983, it laid out a five-point strategy for creating a political environment that would give privatization a chance:

(1) maintain constant criticism of Social Security to influence the media and to undermine public confidence in the soundness of the program;
(2) build a network of influential supporters of private accounts, including Wall Street brokers who would profit from them;
(3) divide and conquer the opposition by assuring retirees and those nearing retirement that their benefits would be fully paid;
(4) enact laws creating 401(k)s and other private accounts so people learn to accept them; and
(5) have a privatization plan waiting in the wings when a president came along who was willing to claim that Social Security's trust fund faces a shortfall.

Cato's planners called for protracted "guerrilla warfare" against the system and its supporters. "We must be prepared for a long campaign," the Cato document declared. "It could be many years before the conditions are such that a radical reform of Social Security is possible." Then, amazingly, it cited a Communist as a political guru: "As Lenin well knew, to be a successful revolutionary, one must also be patient and consistently plan for real reform."

Wall Street's wallflowers

Bush's intention is not revolution but devolution, and the big bucks

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THE TRAGEDY OF BUSH SYNDROME

George W just can't seem to tell the truth. Maybe it's some sort of genetic flaw that compels him to fabricate, dissemble, twist, distort...lie. Call it: Bush Syndrome, or BS.

Those nonexistent weapons of mass destruction in Iraq are the most famous instance of BS, but we're seeing it break out again over Social Security. First was his insistence that the fund will soon "be bust"—au contraire, as explained in last month's *Lowdown*, the program is sound.

Now he's trying to convince us that taking 4 cents of the 12.4 cents that now goes into Social Security for every dollar we earn in wages, and putting it in private Wall Street accounts, is a safe and savvy move. As exhibit A, he points to TSP, the Thrift Savings Plan, which lets federal government workers put some of their paychecks into private investment accounts. Calling TSP a model for his scheme, Bush says, "It's time to extend the same security and choice and ownership to young Americans" through Social Security privatization.

Only...it's not the same thing at all. TSP is an add-on to Social Security for federal employees, not a replacement.

Indeed, these workers have a "three-legged stool" for their retirement. They get regular Social Security, a government pension, and TSP.

In Bush's plan, however, the money for workers' private accounts would come out of their guaranteed Social Security benefits. George would saw one leg off the retirement stool in the hope that the new Wall Street leg would support a decent retirement. And, because most people don't have a third pension, Bush is leaving them with, at best, a one-legged stool.

—continued from p. 2

bright future at the Export-Import Bank. Because this is an actual loan approved by the geniuses at this bank—a bank that is supposed to help American companies increase their exports, ostensibly to create U.S. jobs. You can argue, as I have, that the Ex-Im Bank is mostly a corporate welfare fund, financing projects that giant corporations can and should finance themselves—but (excuse my chauvinism here) the subsidies at least should go to American corporations.

This deal looks like it qualifies, for the $5 billion loan is to Westinghouse Electric to build four huge nuclear reactors in China. But in 1998 BNFL, owned by the British government, bought this nuclear division of Westinghouse. So our tax dollars are protecting the investment of Brits, and any profits from the deal go to them.

But wait, says the bank, some components will be made in the good ol' US of A, creating 5,000 American jobs. OK, five billion dollars divided by 5,000 jobs is what? A million dollars of our tax money to create each job!

Meanwhile, BNFL will use our money to sell our technology to the Chinese government, which intends to take over the manufacture of the very components now made here. If this makes sense to you, rush your resume to the export-import bank today.

CORPORATE AMERICA'S CLUELESS GENIUSES

It's hilarious to hear the former high-stepping studs of corporate America now claiming that they were just humble mules, pulling the plow but totally ignorant of what was going on around them.

Ken Lay of Enron, Richard Scrushy of HealthSouth, and Bernie Ebbers of WorldCom are among the ex-CEOs who once accepted public accolades and millions of dollars in

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The Hightower LOWDOWN

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personal pay for being managerial "geniuses" who guided their corporations to the top... but have since tumbled all the way down into the public dock, accused of fraud, conspiracy, lying, and more.

Bernie Ebbers, for example, engineered a series of corporate takeovers in the 1990s that made WorldCom a multibillion-dollar giant and rewarded himself with the extremely good life of CEO stardom. He was a darling of Wall Street, which called him a genius.

Alas, WorldCom soon became the largest corporate bankruptcy in history, and Bernie has been found guilty of orchestrating the $11 billion fraud that sank it. The company's former chief accountant said Bernie ordered him to falsify financial records.

But wait, Bernie said as he faced 25 years in prison, not only am I innocent, but I knew absolutely nothing about finances and stuff. Even though he was the top boss known for demanding "all the details" about WorldCom affairs, he professed that he was "shocked" to learn about that little $11 billion hickey in the books. "I put those people in place," he moaned, "I trusted them. I just had no earthly idea that anything like that would have occurred."

UNCLE SAM WANTS YOU

Is it just me, or do you feel a draft?

In last year's presidential run, young voters were wary that Bush & Co. was quietly preparing for a military draft. The concern was spreading so quickly that George himself was rushed out to denounce what he called "rumors on the internets," and he flatly declared: "We're not going to have a draft—period." Donnie Rumsfeld went even farther, offering this absolute statement: "The idea of reinstating the draft has never been debated, endorsed, discussed, theorized, pondered, or even whispered

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that would flow out of Social Security would devolve not to "the little guys" that George puts on conspicuous display at each stop of his Privatization Propaganda Tour but to the big boys of Wall Street. Imagine: Every year, 118 million Americans would be eligible to divert $1,000 each from Social Security into private accounts. And each year, Bush, who once said, "We need to make the pie higher," would be creating a $118 billion pie that he would pass into the hands of stockbrokers, bond houses, mutual funds, insurance hucksters, and the like, all of them grasping for ever-expanding fees, commissions, and other extra slices. OK, not everyone will participate, but Wall Street is drooling at the prospect that many millions of people will be enticed into the game. A Merrill Lynch survey estimates that at least $70 billion a year would flow from the public pool into stocks and bonds. Think of the endless array of fees now imposed by your bank, credit card firm, and phone company, and you can imagine the money that these financial outfits will rake off.

Yet despite being the big winners if George passes his plan, Wall Street is being remarkably shy about publicly supporting it. When the Los Angeles Times recently called the big names of the finance industry for a comment, not one would go on record for privatization—not even Bush buddy Charles Schwab, who had previously been a particularly vocal advocate for the private accounts, which would be a windfall for him.

Their public reticence, however, is a calculated ploy. "They don't want to appear to be licking their chops too much," observes a New York University business professor. But these financial powers never have to shout to be heard loud and clear inside Washington. Their campaign contributions and cadre of hired lobbyists make them the ultimate inside players. They already have the attentive ear of the Bushites, having bought it in 2004—the list below of top corporate donors to Bush and the GOP Congress in last year's election reads like a Who's Who of Wall Street brokers.

While Wall Streeters aren't out front, they are diligently working the back streets. They presently are financing a grab bag of more than 20 right-wing front groups to do their dirty work on Social Security. These tend to have nonthreatening, even sweet-sounding names, like For Our Grandchildren, Progress for

Goldman Sachs	$2,388,311
Morgan Stanley	$1,897,715
Merrill Lynch	$1,486,740
JP Morgan Chase & Co	$1,479,683
UBS Americas	$1,425,007
MBNA Corp	$1,137,988
Citigroup Inc.	$1,336,418
American Bankers Assn	$1,370,487
Bank of America	$1,272,973
Wachovia Corp	$1,191,353
Credit Suisse First Boston	$955,587
AFLAC	$921,072
Lehman Brothers	$734,103
Bear Stearns	$712,302

Source: Center for Responsive Politics www.opensecrets.org

America, Freedom Works, and Alliance for Retirement Prosperity. Corporate interests fund these facades, which are run by a small, closely knit group of political activists and old GOP warhorses who've long been involved in "Astro Turf" lobbying for various ultra-right causes. A couple of the biggest and noisiest in this fight are:

Alliance for Worker Retirement Security (AWRS): Beware of any advocacy group that has "worker" in its name...but no workers in its group. This outfit, created by the National Association of Manufacturers in 1998 solely to lobby for privatizing the public retirement system, has about 40 members, including the American Bankers Association, Business Roundtable (the CEOs of America's 200 largest corporations), Paine Webber, Charles Schwab, Securities Industry Association (Wall Street's official lobbying group), U.S. Chamber of Commerce, and Wachovia Bank.

AWRS was a spawn of Cato's ideologues and is tightly wired into the White House. Its first director was Leanne Abdnor—a former Cato vice president, a member of George W's hokey 2001 "national commission" on Social Security, and now head of the PR group called For Our Grandchildren (which in turn is stacked with such Republican operatives as Grover Norquist). Her successor was Chuck Blahous, a corporate lobbyist who also sat on Bush's Social Security commission. He served so faithfully that George then moved him into the White House, where he's now a top presidential assistant and is in charge of—what else?—Social Security policy.

Derrick Max, who previously worked at NAM and later ran Cato's Washington lobbying shop, followed Chuck at AWRP. Max wears an additional hat these days as honcho of the Coalition for the Modernization and Protection of America's Social Security, or COMPASS. (Who comes up with these names, and who do they think they're fooling?) The national political director of the BushCheney '04 campaign is a paid consultant to this umbrella group, created by AWRS and funded by the usual corporate suspects. Currently COMPASS is working with the White House to run an outside-the-beltway PR campaign hoping to juice up public support for privatization. Max's two front groups expect to spend some $150 million in this year's effort.

USA Next: This is the rabid attack dog of the loopy right, originally created in 1991 by archconservative direct-mail guru Richard Viguerie as just USA, for United Seniors Association. This paper organization's job was to bombard the elderly with fund-raising mail solicitations and to pose as a seniors' organization in right-wing opposition to the 55-million-member AARP. While Viguerie's group claimed to be a network of a million senior activists, it has reported no income from membership dues. It doesn't need them, for it received an "unrestricted educational grant" of some $14 million in 2002 from the drug giants to run political ads backing the industry's prescription-drug bill. It also took oil money to back Bush's effort to open the Arctic Wildlife Refuge to drilling.

Tainted as a mercenary for any corporate-backed GOP policy, this front group changed its name in February, reincarnating itself as USA Next—but it's the same old nasty piece of work. Armed with a reported $28 million in corporate funds, Next is now snarling and snapping at opponents of Social Security privatization, initially going after AARP for blocking Bush's plan. "They are the boulder in the middle of the highway," said USA Next president Charlie Jarvis. "We will be the dynamite that removes them."

Jarvis, a former Reagan official, had previously been a top dog at Focus on the Family, the far-right religious group run by James Dobson, notorious as a demonizer of Democrats and as the wacky cleric who recently claimed that the children's cartoon character SpongeBob SquarePants is gay. Apparently taking a page from

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Rhetoric V. Reality

Bush's rhetoric on Social Security is, to say the least, truth-challenged. Here are just a few examples:

RHETORIC: "By the year 2042, the entire system would be exhausted and bankrupt." **REALITY:** Enough new taxes will be coming into the trust fund to pay up to 80% of promised benefits to everyone after 2042 and for the foreseeable future—and that prediction is based on pessimistic assumptions.

RHETORIC: Social Security faces "a crises" (sic) that's unprecedented. "In the year 2018, for the first time ever, Social Security will pay out more in benefits than the government collects in payroll taxes." **REALITY:** In 14 of the past 47 years, Social Security paid more in benefits than it collected in taxes. Cashflow ebbs and flows.

RHETORIC: "As we fix Social Security, we also have the responsibility to make the system a better deal for younger workers." **REALITY:** Social Security earns 3% a year on the Treasury bonds it holds. The nonpartisan Congressional Budget Office calculates that Bush's privatized accounts could deliver a 3.3% return. But even that measly .3% gain would be wiped out by the fees and administrative costs that Wall Street will charge for handling the private accounts. Plus, the CBO did not factor in stock market risks—so the net result is more likely a loss for those who switch to Bush's scheme.

RHETORIC: "The role of a president is to confront problems—not pass them on to a future president, future Congress, or future generation." **REALITY:** Bush's plan requires the government to borrow some $15 trillion to cover the cost of converting to private accounts, thus passing on to future generations a mountain of new debt.

RHETORIC: "I think it's important for people to be open about the truth when it comes to Social Security." **REALITY:** Yeah right, George.

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Dobson's political book, Jarvis has run an internet ad claiming that AARP supports same-sex marriage. The USA Next ad features two men in tuxedos kissing each other and a banner headline declaring this "The REAL AARP Agenda."

Yep, if you oppose privatization of America's retirement fund, you must be a gay-marriage backer! Jarvis says his group will dump $10 million into such sleazy attacks, "revealing areas where the AARP is out of touch with a large number of their members, including the issue of marriage." Never mind that the staid old AARP has never taken a position on gay marriage, pro or con.

Truth will be no barrier to USA Next's political campaign. Jarvis has even hired the same sleazeball hatchet men who were behind the infamous "Swift Boat Veterans for Truth," sliming John Kerry's war record. Backed by funding from Houston developer Bob Perry, the Republican sugar daddy behind the Swift Boat ads, USA Next will soon be smearing AARP on your TV.

Surprise, George!

The ideologues, the corporations, the front groups, and the Bushites thought they had all of their ducks in a row to ram privatization into law, but they didn't count on one thing: You!

All across the country (and cutting across all party, racial, and age lines), people have risen up to give a resounding "No, uh-uh, forget it, go away" to this scheme. Especially bad for George is that he now has less support for privatization than he did before the White House's propaganda blitz. So far his campaign has included forcing the Social Security Administration to tout George's agenda, creating a Social Security "war room" in the Treasury Department, wheeling out the old political hack Alan Greenspan to shill for the plan, exploiting a few Black Republicans as props for the false claim that Social Security is unfair to African Americans, and using the full bully pulpit of presidential PR tricks—but to no avail.

It's also encouraging that the public is overwhelmingly rejecting the Bushites' cynical appeal to selfishness. To divide the opposition, George's plan deliberately exempts people 55 and older from any change in their guaranteed benefits, hoping to buy off these politically active people so they won't object to slashing the benefits of younger workers. But as one Pennsylvania retiree put it, "We refuse to accept this concept of 'you got yours, now back off.' We built the system. We believe it should be available to our children and grandchildren."

The latest New York Times/CBS poll confirms this strong expression of support for the Common Good, with four out of five people saying it is "the government's responsibility to provide a decent standard of living for the elderly." Seven out of ten oppose shifting to private accounts if that means cutting the guaranteed benefits of the present system.

Still, George is stamping his tiny feet and demanding that Congress simply must give Wall Street and the ideologues what they want, even if the people (damn them) don't want it. To try to swing some polls, the front groups will spend tens of millions of dollars in the next few weeks on predictably deceptive TV ads. Bush, Cheney, and a gaggle of cabinet officers and White House staffers are presently barnstorming across the country on a frenetic "60 Cities in 60 Days" propaganda tour (the tab for which, by the way, they're passing to us taxpayers).

The problem for these proselytizers of privatization, however, is that the more people learn about the plan, the more they oppose it.

Folks are figuring out what George's proposal means: tossing out the guarantee of retirement security; slashing benefits and raising the retirement age; no spousal benefits or disability payments; promised stock gains that are iffy at best (check the decline in your own 401(k)); and Wall Street fees and fraud that will devour any gains. Many old folks recall that we tried privatized retirement in the past—it was called the Great Depression.

And some folks already know what privatizing retirement means, because they've seen that future... and recoiled from it.

Nebraska, West Virginia, Montana, Michigan, Ohio, and Florida have tried shifting their public employees into do-it-yourself, private retirement accounts, but the efforts failed. Once the employees saw thé plans, very few took the bait, and those that did generally ended up with lower benefits than they would've gotten from the public system they left.

Failure in Chile and Britain

Likewise, the rush to privatize pensions in Chile, England, and elsewhere has not ended happily for retirees. In Chile, the government now has to pour billlions of dollars annually into the private system, for it can't provide enough benefits to poor workers to assure even basic needs, and middle-class retirees find that hidden fees in the private accounts take as much as a third of the money they had put into them, leaving retirees with far less than they would've gotten under the public system. And England's 20-year run with its priva-

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by anyone in the Bush administration."

The problem for political liars is that they don't know when to stop. They keep piling it on until the lie becomes too extreme and too big to be true. Rumsfeld's denial, for example, was incredible when he issued it, and now we learn that it was patently untrue—ie, a bald-faced lie issued for political purposes.

Rolling Stone magazine recently unearthed an internal selective service memo that details a meeting of two of Rummie's top aides early in 2003 specifically to debate, discuss, ponder, and otherwise consider reinstating the draft. Indeed, the head of the selective service later testified before Congress that, following "consultations with senior Defense manpower officials," the agency began preparing a plan to draft Americans who have special skills that the military needs, such as nurses and doctors.

A selective service official confides that "with some very slight tinkering, we could change that skill to plumbers or linguists or electrical engineers or whatever the military was short."

JOBS DOWN, WALL STREET UP

The headline said it all: "Weak U.S. job growth boosts market."

You see, when there's bad news on your street (the lack of new jobs), there's joy on Wall Street. As one market analyst explained, since the economy is not spinning out enough new jobs even to keep up with the increase in the number of new workers entering the job market, "there's not a lot of labor-cost pressure in the system."

When economists use the term "labor cost," they mean you—or, more specifically, your wages. By holding down your wages, corporations fatten their profits, stock prices rise, and Wall Street's high-rolling investors rejoice. Twisted as it is, this is actually the goal of economic policy in the

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U.S. today. Another market analyst explained that January's lack of job growth has created the perfect economic environment: "It really is the sweet spot," he gushed.

Unless, of course, you need a job or are struggling to make ends meet on stagnant wages, which includes most people. Nearly 8 million Americans were officially unemployed in January, and on average they had been out of work for nearly 20 weeks.

Meanwhile, on the same news day, we got word that while CEOs were being stingy with wages, they were going on a wild spending binge in another area: mergers. Billions of dollars are being thrown into shaky takeover deals, such as SBC swallowing AT&T, Procter & Gamble grabbing Gillette, and Verizon picking off Qwest.

Every one of these mergers will result in thousands of jobs being cut, assuring that "labor-cost pressure" will stay weak.

SMOKERS WILL BE FIRED

More and more bosses are insisting that they have the right to monitor and regulate the activities of employees off the job, even perfectly legal activities. Howard Weyers is one such boss. He's honcho of Weyco, an insurance management corporation in Michigan. Howard doesn't like smokers, so he has instituted an anti-smoking policy.

Fine...except that Weyers' policy outlaws smoking off the job as well as on. He has imposed random, mandatory breathalyzer tests on his 200 employees. Fail once—and you're fired. "You work for me," Weyer says, "this is what I expect."

If Weyer can be the no-smoking dictator, other bosses can dictate that employees can't have a beer after work, must go to a particular kind of church on Sunday, or can't have a Democratic bumper sticker on their cars.

tized system has produced fraudulent brokers, exorbitant fees, taxpayer bailouts, and the harsh reality that at least 75% of those with private accounts will not have enough in them at retirement time for "adequate pensions."

True conservatives, including many corporate CEOs, go slack-jawed when they learn that the real cost of converting to Bush's private accounts will be $15 trillion over the next 40 years—a nuclear explosion in federal debt that will sock it to young people (the very ones Bush claims to want to help), force interest rates up, and threaten the stability of the dollar. Essentially these trillions would be spent on benefits owed to retired workers, while the trust fund is collecting a third less in taxes from present-day workers, since that portion would be going into Bush's private stock-brokered accounts.

When a price tag reaches 15 followed by 12 zeros, you're talking real money, and even corporate chieftains can recognize that a due bill of that size means that money won't be available down the road for things America will need, including things on the corporate wish list.

CODE-RED GOBBLEDEGOOK

If you're confused by the complexity of Bush's privatization plan, why not go to the horse's mouth for clarification? In February, as part of his road show to sell his scheme, George held one of his "conversations" with the public in Tampa. A woman there asked him how his plan would solve the long-term "red problem," referring to Bush's claim that, as of 2018, Social Security would sink into a pool of red ink.

It was meant to be a softball question. Here's George's explanation:

"Because the—all which is on the table begins to address the big cost drivers. For example, how benefits are calculate, for example, is on the table; whether or not benefits rise based upon wage increases or price increases. There's a series of parts of the formula that are being considered. And when you couple that, those different cost drivers, affecting those—changing those with personal accounts—the idea is to get what has been promised more likely to be, or closer delivered to, what has been promised.

"Does that make sense to you? It's kind of muddled. Look, there's a series of things that cause the – like, for example, benefits are calculated based upon the increase of wages, as opposed to the increase of prices. Some have suggested that we calculate—the benefits will rise based upon inflation, as opposed to wage increases. There is a reform that would help solve the red if that were put into effect. In other words, how fast benefits grow, how fast the promised benefits grow, if those—if that growth is affected, it will help on the red."

Solutions

Then there's the infuriating reality that Bush & Company are deliberately and cynically ringing a false alarm, proposing an extremist dismantling of a successful public program that needs only fine tuning to continue delivering retirement security for every American for generations to come. There are numerous small steps, such as raising the minimum wage to a living wage level, which would mean more Social Security tax money flowing into the system. But the most obvious and most effective reform would be simply to remove the plutocratic cap arbitrarily placed on income subject to retirement taxes.

At present, Social Security taxes affect only the first $90,000 of a person's wages. The vast majority of us make less than that, so every penny of our yearly income is taxed. But the likes of Bill Gates, Donnie Trump—or, hey, George W—make way more than $90,000. The cap gives them a "wealth exemption," letting them hide away the bulk of their salaries, bonuses, stock options, and other pay. Remove that wage cap, and the retirement system is flush. If you applied the tax not merely to wages but also to the stock payouts, currency speculation, and other unearned income of the superrich, then America's lower-income folks (say, less than $30,000 a year) could have their Social Security taxes lowered, turning what is now a regressive tax into one that's progressive while also pumping new grassroots spending into the economy.

Actually, the Bushites might have done us a favor by making this greedheaded and ideological lunge for our Social Security money. First, their audacious move has solidified and energized progressive forces to fight against it. Second, it rips away the "compassionate conservative" and "family values" masks that Bush has been wearing. Third, it opens up the big debate about what kind of country we want America to be. Will we be an I-got-mine, you're-on-your-own society, or a nation of people who continue striving for America's egalitarian ideal of the Common Good.

This is more than a fight over our retirement (as big as that is). It's a fight for America's democratic soul. It's also a fight we can—and must—win.

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THE NAMES BEHIND THE GRAB FOR SOCIAL SECURITY

The final insult

By Paul Krugman

NEW YORK

HELL HATH no fury like a scammer foiled. The card shark caught marking the deck, the auto dealer caught resetting a used car's odometer, is rarely contrite. On the contrary, they're usually angry, and they lash out at their intended marks, crying hypocrisy.

And so it is with those who would privatize Social Security. They didn't get away with scare tactics, or claims to offer something for nothing. Now they're accusing their opponents of coddling the rich and not caring about the poor.

Well, why not? It's no more outrageous than other arguments they've tried.

Before I take on this final insult to our intelligence, let me deal with a fundamental misconception: the idea that President Bush's plan would somehow protect future Social Security benefits.

If the plan really would do that, it would be worth discussing. It's possible — not certain, but possible — that 40 or 50 years from now Social Security won't have enough money coming in to pay full benefits. (If the economy grows as fast over the next 50 years as it did over the past half-century, Social Security will do just fine.) So there's a case for making small sacrifices now to avoid bigger sacrifices later.

But Bush *isn't* calling for small sacrifices now. Instead, he's calling for zero sacrifice now, but big benefit cuts decades from now — which is exactly what he says will happen if we do nothing. Let me repeat that: To avert the danger of future cuts in benefits, Bush wants us to commit now to, um, future cuts in benefits.

■

In last fall's debates, Bush asserted that "most of the tax cuts went to low- and middle-income Americans." Since most of the cuts went to the top 10 percent of the population and more than a third went to people making more than $200,000 a year, Bush's definition of middle income apparently reaches pretty high.

But defenders of Bush's Social Security plan now portray benefit cuts for anyone making more than $20,000 a year, cuts that will have their biggest percentage impact on the retirement income of people making about $60,000 a year, as cuts for the wealthy.

These are people who denounced you as a class warrior if you wanted to tax Paris Hilton's inheritance. Now they say that they're brave populists, because they want to cut the income of retired office managers.

Suppose you're a full-time Wal-Mart employee, earning $17,000 a year. You probably didn't get any tax cut. But Bush says, generously, that he won't cut your Social Security benefits.

Suppose you're earning $60,000 a year. On average, Bush cut taxes for workers like you by about $1,000 per year. But by 2045 the Bush Social Security plan would cut benefits for workers like you by about $6,500 per year. Not a very good deal.

Suppose, finally, that you're making $1 million a year. You received a tax cut worth about $50,000 per year. By 2045 the Bush plan would reduce benefits for people like you by about $9,400 per year. We have a winner!

The New York Times