

Social Security in America: Writing Off The Elderly

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When neoconservatives, politicians, and high ranking military officers speak of a 30-year war against terrorism, there is no discussion about its affordability or whether the one significant attack (September 11, 2001) that is attributed, perhaps incorrectly, to Muslim terrorists justifies an open-ended war against a dozen countries. There is no discussion of the burden on future generations of the massive increase in the public debt in order to finance today's wars.

Affordability and intergenerational burdens are topics reserved for the discussion of Social Security. Conservatives and libertarians constantly assert that Social Security is unaffordable and decry the intergenerational basis for Social Security retirement.

Recently economist [Walter Williams again made the argument that Social Security is not a retirement program](#), because the income earner's payroll tax payments do not go into an account for the person paying the taxes, but instead are used to pay benefits for older people who have reached retirement age. Williams characterizes Social Security retirees as thieves who outvote those still in the work force and have the ear of Congress.

This is an ideological argument that overlooks that Social Security is a pact between generations. The working generations provide retirement incomes for the elderly and in turn are provided retirement incomes by succeeding generations. Terminating Social Security for the elderly also terminates it for those who follow.

In other words, it is incorrect to describe Social Security as the elderly using the political system to steal from the young.

It is also not the case that Social Security retirees have the ear of Congress. The time is long past when Social Security was "the third rail of politics." Since the 1980s Congress has been cutting back Social Security benefits in a number of ways. For example, the retirement age is being extended from 65 to 67, and the switch from a real cost of living adjustment to a substitution-based consumer price index results in the erosion of the real value of Social Security benefits, which was the reason for the switch. Up to 85% of Social Security benefits are now subject to income tax if the recipient has earnings or other retirement income above a minimum amount. The taxation of Social Security was another way that the political system reneged on the promised benefits.

In addition, during the 1980s Alan Greenspan and David Stockman accelerated the phase-in of payroll tax increases that the Carter administration had enacted. By causing the payroll tax to rise before it was needed to finance benefits, more than \$2 trillion has been collected than was paid out in benefits. The government spent the earmarked payroll tax revenues (leaving non-marketable IOUs in their place) on other things, such as the wars of the 21st

century. As none of this \$2 trillion reached retirees, the real “theft” from those of working age was committed by Greenspan and Stockman for the benefit of other spending programs.

None of this is to say that there are not legitimate criticisms of Social Security. One is that Social Security does not provide a personal nest egg that a retiree can either spend down or manage carefully, living off the investment income and passing on any remainder to heirs, thus building wealth in society. Moreover, those who die prior to reaching retirement age or soon after retirement do not receive any benefits. In an effort to address this problem, Social Security pays survivors’ benefits to widows and children, benefits that were reduced during the 1980s.

The uninformed blame President Reagan for these assaults on Social Security. However, the changes were demanded by Wall Street’s political minions, who backed Reagan into a corner with hype about “the Reagan deficits.”

In Chile part of the economic reconstruction from the chaos of the Allende era was the privatization of Social Security. Deductions from wages automatically go into personal investment accounts. Years ago when I examined the system, it was working, building wealth for Chileans and providing a source of savings for the economy.

It might have been possible in the Reagan years to phase in a transition to a privatized retirement system. With the Dow Jones at 1000 and the economy rising, such a transition might have succeeded, but few policymakers cared to be associated with the risk.

If the transition had been undertaken, it might have saved us the current financial crisis, which was brought on by deregulation. I doubt that Congress would have gone along with deregulating a financial system upon which the elderly were entirely dependent. Glass-Steagall would still be on the books, derivatives would not have been deregulated, the equity market would not have become a gambling casino dominated by high-frequency trading, and the need for stability in Treasury bond prices would have curtailed budget deficits and the explosive growth of the public debt in the 21st century.

However, to propose today to privatize Social Security is to ignore the two large stock market crashes of the 21st century that inflicted enormous damage to private pension plans. It is to ignore the Federal Reserve’s policy of attempting to stabilize a broken financial system with interest rates so low that Treasury bonds pay a negative rate of return. It is to ignore that income growth for most Americans has dried up and if properly deflated is declining, thus threatening the income base for retirement whether public or private, and that poverty, especially among the elderly, is rapidly rising.

Indeed, the debt and money creation associated with the ongoing bailouts of the large banks are threatening the exchange value of the US dollar and its role as world reserve currency. Values of dollar denominated financial assets can suffer large declines if the rest of the world moves away from the dollar as reserve currency.

Another problem facing future retirement incomes is the growing practice of corporations of laying off or firing older employees in order to reduce payroll costs and the cost of employer-provided medical benefits.

What we have witnessed in the 21st century is a clear decision by political elites and the

private interests that control them that gratuitous wars are more important than the elderly. In the budget deliberations it is not the trillion dollar annual budgets of the military/security complex that are seen as excessive. Instead, the focus is on cutting the sparse benefits for the elderly.

Decades of right-wing and libertarian propaganda against Social Security have hardened the hearts of political elites, media, and even it sometimes seems of AARP against the elderly, who are portrayed as an expensive burden. With the economy dying as a result of jobs offshoring and the concentration of economic activity into fewer hands, the elderly are not well positioned to compete for shrinking resources against the claims of powerful interest groups, such as the military/security complex and the neoconservative "war on terror." Tax revenues are drying up not only from unemployment but also from the substitution of lower paying domestic service jobs for the higher income jobs that have been moved offshore. A decline in the dollar's exchange value will push millions of Americans below the poverty line.

I have always thought that abortion had ominous implications for the elderly. Whatever the inconvenience of an unwanted child, it is small compared to the claim of Social Security and Medicare on society's resources. A society comfortable with killing the unborn will lack the moral scruples to reject euthanasia.

It is not difficult to imagine the US government assigning a specified number of retirement years to citizens, and then you take a pill. The declining respect for life is also indicated by the fact that there is no move to impeach Obama for drawing up lists of people, including US citizens, to be executed without due process and by the fact that few Americans even blink an eye at the murder by their government of hundreds of thousands of Muslims in the name of a hoax "war on terror." With society's resources shrinking, the demonization of Social Security endangers the elderly.

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