

The Social Security “Crisis”: Rolling Back the New Deal

URPE panel at the Brecht Forum, May 25, 2005

Doug Henwood • Paddy Quick • Mike Whitty

“If economists can’t even forecast this quarter’s GDP, how can the Social Security Trustees predict the state of the economy 75 years from now?” asked Doug Henwood in a May 25 Brecht Forum panel on Social Security. Doug recited numerous statistics challenging the gloomy economic and demographic projections of the Trustees. He added that if things are that bad – if growth will really be only a near-Depression rate of 2% – then that should be the main topic of conversation, not details of the Social Security program. If economists are making long-term forecasts, Doug feels, those forecasts should either be similar to what has happened in the past, or there should be an explanation of why they are so different – and the Trustees have not given any such explanation. Furthermore, the media has presented few challenges to these predictions.

Social Security’s critics are motivated by both ideological and financial visions. Doug talked about the long history of opposition to Social Security from the Right, and explained their vision of a public pension plan that is like welfare: minimal grants to the poorest people, with the rest of us left to fend for ourselves.

While Wall Street would definitely like to get its hands on Social Security money and is not abandoning that goal for the long term, Doug reports that in the short term Wall Streeters are having second thoughts. The current plans do not allow for big fees, and Wall Street has been surprised by the strength of the opposition to privatization from labor and from the public in general. Doug also talked about possible economic effects of Social Security money entering the stock market. At the upper limit these funds would constitute about 4% of total stock market capitalization – not a trivial amount but also not huge. Chile’s public retirement plan allows for investment in the stock market, but the Chilean stock market is not doing particularly well. Doug also thought that the heavy federal borrowing to finance the transition to a privatized system – necessary to keep paying benefits to current retirees if Social Security tax revenue were diverted into private accounts – would strain the bond market and push

up interest rates. Interest rates and general credit market conditions are much more important to the real economy than the stock market, so the allegedly stimulative effect of throwing more money into the stock market could be more than offset by the drag coming from higher interest rates.

“Democrats represent the capitalist class, not the working class,” explained Paddy Quick, as she warned listeners not to be seduced into the trap of cheering on the Democrats just because some of the things they say sound good.

If one looks at the political choices in the US as liberal vs. conservative, Democrats often represent the liberal view, but their purpose is to make capitalism function well, and they assume capitalism is in everybody’s interests. The two classes do not have the same interests, Paddy said, especially since the 1990’s, when Democrats split from their traditional constituency and supported political measures like getting rid of welfare. Paddy’s goal is to get rid of capitalism, not make it function better.

In a comparison between US and European political forces, Paddy pointed out that the two largest groupings in Europe, the Christian Democrats and the Social Democrats, both favor the inclusion of labor in government decisions; only the Liberals oppose it. Europe is becoming more conservative, though: the Social Democrats are now less powerful than the Christian Democrats, and Liberal parties are growing.

Paddy feels that Social Security must be looked at in class terms, and agrees with the European Social Democrats that labor needs an independent party. Instead of just defending the status quo in Social Security, Paddy recommended demanding more: using general tax revenue for Social Security if we need to, lowering the retirement age, increasing wages, shortening the work week to 30 hours. While we should ally with Democrats on some issues, such as defending Social Security, we must discover who our real friends are in the course of fighting for working class issues.

Social Security is a wonderful issue for creating new coalitions and reviving frayed alliances, Mike Whitty enthusiastically told listeners. It is an issue that can be understood by all, when it is properly explained, and preserving Social Security is in the interests of many people who don't view themselves as allies on other issues. There is potential for labor-community and interracial alliances. We must ally with mainstream religion, and common ground can even be found with many elements of the religious right. It is a family

issue – one that can attract women, seniors, and youth.

Mike encouraged us to follow the example of the Grey Panthers when we organize: act on the legislative front, present educational programs, and make use of the media. We must perfect our skills in communication, and make use of music and other forms of entertainment to make politics fun. Mike would like to see a socialist system but feels that we must also present practical, attainable goals to keep people hopeful.

Doug Henwood is the author of *Wall Street* and *After the New Economy* (*After the New Economy is coming out in paperback in June*); writer/publisher of *Left Business Observer*; and host of an economics radio show on WBAI.

Paddy Quick is a long-time member of the Union for Radical Political Economics (URPE) and a founding member of the URPE Women's Caucus. She teaches economics at St. Francis College, Brooklyn, including courses on U.S. economic history, the European Union, and gender.

Mike Whitty is a Labor Relations Professor in the College of Business Administration at the University of Detroit Mercy and co-host of the union radio show Working Detroit (AFL-CIO). He is also the Director of the University of Detroit Institute for Building Sustainable Communities, and National Chancellor of the International Educators for World Peace for which he is currently hosting the World Peace Conference at the University of San Francisco.