GOING TO PLAN B

The real threat is in the budget. And the Democrats are unlikely to stand in Bush’s way.

BY ERIC LAURSEN

If George W. Bush’s second-term roll of the dice on Social Security privatization comes up snake eyes—which seems increasingly likely—the biggest victim certainly will be the reputation of Karl Rove as a political wizard. His belief that Americans are ready to accept an all-out assault on their favorite social benefit program will have proven faulty, and resulted in his boss’ first real political defeat.

But to borrow a cliche, there’s more than one way to kill the Social Security cat. If you can’t dismember the beast outright, maybe you can starve it to death. So while Bush is out pitching a skeletal public on his latest partial privatization plan—“progressive indexing,” a scheme that would initiate a generation of class warfare by preserving basic benefits for the poorest workers while gradually stripping them from everyone else—he and Republican lawmakers are working quietly to remove Social Security’s feeding tube.

The budget that the White House submitted to Congress in February is the latest step. It calls for tax cuts worth $117 billion over five years, including making permanent some of the $1.1 trillion that Bush rambled through Congress during his first term. That would help double the federal deficit over five years, according to a Congressional Budget Office (CBO) estimate. The House and Senate last month passed their own resolution calling for $106 billion in tax cuts, suggesting that the final package negotiated this summer will be close to what the White House wants.

But the Bush proposal also includes changes in budget rulemaking that would effectively force the Office of Management and Budget and the CBO, when they produce estimates, to treat the cost of any tax cut extension as “zero.” And it would exempt tax cuts from having to be balanced out in other parts of the budget under a new rule that would apply to all mandatory or “entitlement” programs. That would leave the door open for unlimited further tax cuts.

That’s bad news for a lot of working and poor Americans who rely upon Medicare Part B, Medicaid, federal military and civil service retirement programs, and other entitlements that depend on general revenues. All could face slow starvation due to the shrinking pool of taxes. And that’s even before Washington deals with the alternative minimum tax, which could sock middle-income taxpayers unless its formula is changed, at an estimated cost of $600 billion.

But Social Security is also under threat, even though it has its own dedicated source of revenue in the form of payroll taxes. Why? Because within the next five years, according to the Social Security trustees’ estimates, payroll tax receipts will start to fall. Since the portion of those receipts that doesn’t go to pay current beneficiaries is lent to the Treasury to finance general governmental costs, after 2009 Washington will have to find further savings to make up for its shrinking take from payroll taxes. Or, as a recent paper by the Economic Policy Institute points out, Washington could borrow more, which means that more and more of its non-payroll tax revenues will have to be used to pay interest on the swelling national debt.

As the belt tightens further, the struggle among various federal programs for needed funds will become social Darwinism.

Bush won’t get everything he wants in his budget package. But the “starve the beast” approach to phasing out Social Security seems to be the preference of the powerful House Ways and Means Committee chair, Bill Thomas (R-CA), who suggests he’d like to see Social Security “reform” take place as part of a larger restructuring of the tax system—one that might force Democrats to make some hard choices rather than defend a Social Security program that exists, so far, independently.

And what about the Democrats? Thus far their congressional delegation has stood solidly against Bush’ privatization proposals. But their record the past four years suggests they’re afraid of voting against Republican tax cuts. And since January, they’ve failed to block Bush from winning repeatedly on issues that harm working people, such as restricting civil lawsuits and limiting bankruptcy protection.

Plus, as EPI economist Max Sawicky points out, minus a major fiscal crisis, the Dems wouldn’t pay a large political price if enough of them go along to push Bush’s latest tax cuts through. So without a lot of pressure from the grassroots, the party that created Social Security may help to imperil it even more this budget season.

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