

Obamanomics Infects Social Security

by Paul Gallagher

April 24—The 2011 Social Security Trustees' Report, with its dire forecasts about Medicare and Social Security, represents the collapse of the U.S. economy under Presidents Bush and Obama, and not anything about the retirement and health-insurance programs themselves. As one economist noted immediately after the release, "Full employment would solve all the system's problems. And if wages rose with productivity growth, as they did until the late 1970s, Social Security would enjoy a perpetual surplus and we could raise benefits."

EIR proved this in a number of articles in 2005, to fight off George W. Bush's attempt to privatize Social Security. We showed in detail, that based on the now 75-year successful history of the program—rather than meaningless straight-line "statistical projections" of unknown future economic and demographic conditions—*any time the U.S. economy is generating 1.5-1.75 million or more full-time, well-paying new jobs a year, Social Security's surplus will increase as a percentage of GDP, indefinitely.*

Obama's economic policies, or those of his crisis-stricken City of London and Wall Street overseers, have the opposite effect.

Even Bush, derisively called "the jobless President," was only able to make Social Security withholding tax revenues drop, in absolute terms, in one year, 2004—the first down year in the program's history. Obama has overseen three consecutive years of falling revenue, 2009-11, by a total of \$71 billion. His administration has made no effort to restart productive, full-time employment; it has let real wages fall precipitously, while bragging about "private sector" temp and part-time, low-wage employment; and it has then cut more revenue out of Social Security with a "temporary" 2% payroll-tax reduction, now in its second year.

Shrinking Workforce, Low Wages

Total Social Security tax revenues in 2011 were \$588 billion, down from \$764 billion revenue back in 2008. Some \$105 billion of this drop comes from

Obama's 2% cut in the withholding tax; the Treasury had to borrow this amount and transfer it to the Social Security Trust Fund to "make up" for the tax cut. But \$71 billion of the drop from 2008-11 is simply revenue lost to employment collapse. For the past two years, the Trust Fund has not received enough tax revenue to pay the benefits, needing to draw on interest from its \$2.7 trillion reserve of Treasury holdings. This has never before happened in the program's history.

The Trustees, in their annual report, cite the reasons: low wages, low employment, and the growing predominance of part-time work—although they also give the obligatory nod to "Baby Boomer generation retirement." They project a continuing fall in real wages, and expect people to work fewer hours "even after a recovery"(!). Not only is Obama still down 4 million jobs, overall, since he took office. Every month on average, two-thirds of the "private-sector job creation" he ritually gloats about is low-wage employment by government definition, paying less than twice the poverty level, i.e., less than \$20,000 annually for an individual, and \$44,000 for a family of four. A majority of that employment is temporary or part-time or both.

Because 2 million working-age people have gone onto Social Security *disability insurance* since 2008 (one response to mass long-term unemployment), the Trustees project that Congress will have to shift funds from the retirement to the disability trust fund, worsening the outlook. For current retirees, they project a 1.8% cost-of-living increase in 2012, which will mean a total of 5.4% *over the past four years.*

The Trustees' report moved forward the date at which Social Security would have to cut promised benefits, by three years to 2033. But this is just a statistician's projection. Under continued economic policies such as those of Bush and Obama, the program will default much sooner than 2033. The U.S. workforce, already contracting under Bush, has shrunk so far, so fast, under Obama, that the critical ratio of employed, "covered" workers, to Social Security beneficiaries, has dropped from 3.34:1 to 2.85:1, just since 2008. Part of this is that economic migration to the United States, at least from Ibero-American countries, has become *out-migration* since 2010.

A launch of national infrastructure missions centered on the North American Water and Power Alliance would rapidly reverse this trend.