

Ether Zone

DANIEL PATRICK MOYNIHAN

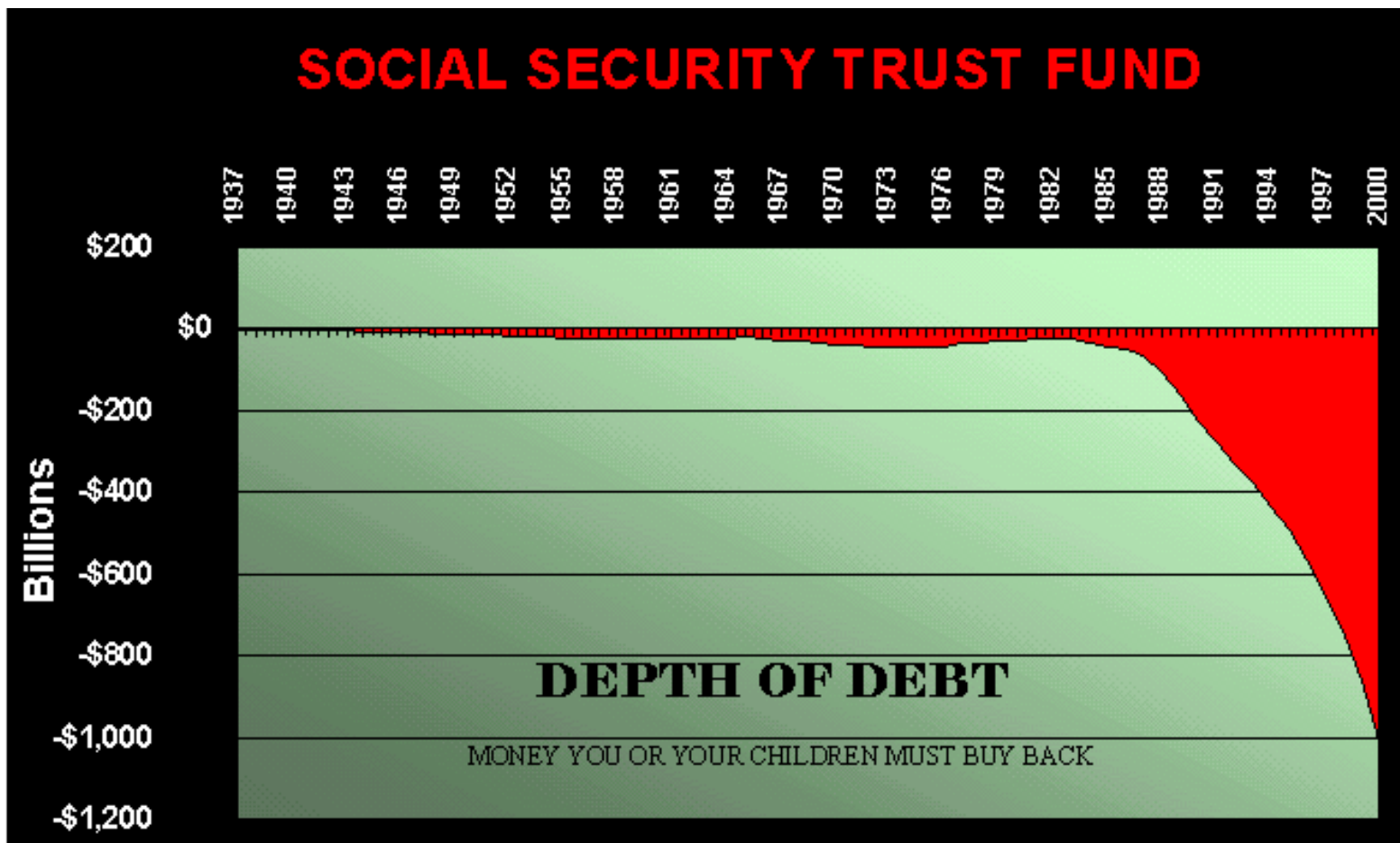
THE FOX IS BACK IN THE CHICKEN COOP

By: Ed Henry

No doubt swayed by the opinion that Ex-Senator Moynihan (D-NY) is an authority on Social Security, and to show bipartisanship, President Bush has appointed the senator to co-chair the new Commission to Study Social Security.

Senator Moynihan served, along with Bob Dole, Bob Barr, and others on the 1982-83 Greenspan Commission that studied the Social Security crisis of that time. Anyone familiar with what has happened to Social Security since 1983, when Social Security was taken off the “pay-as-you-go” system and put on a “partial reserve” system, should know that things have never been the same. This can easily be seen by viewing the accumulation of debt in the Social

Security Trust Fund since that time:



Implemented over three years, payroll taxes were raised far beyond what either Social Security or Medicare required in order to meet their commitments to the retired and disabled. That surplus money has consistently been stolen, in total, by Congress and the Administration, spent elsewhere, and replaced by “special obligation” nonmarketable Treasury bonds placed in a debit black hole that the government calls a “trust fund.” A surplus which Senator Moynihan said, in 1998: “...we have lived off ever since, and will continue to enjoy for yet a few years.”

In 1998, along with Senator Robert Kerrey, Moynihan introduced a bill titled “The Social Security Solvency Act of 1998” that never went anywhere. This bill recommended returning Social Security to the “pay-as-you-go” system. A system which Social Security has never really left since all of its surplus has been consistently stolen year after year and never invested in anything but debt and double taxation for the American worker. What might have happened to provide something more than supplemental retirement insurance has never been given a chance. Had that money been invested wisely, Social Security would be well on its way to a true pension fund by now.

To listen to Senator Moynihan tell it, he and Bob Dole, Senate Majority Leader at the time, hatched the 1983 increase in payroll taxes all by themselves. After Bob Dole had published an article titled “Reagan’s Faithful Allies,” claiming that Social Security was the primary issue and could be fixed with minor increases in existing taxes and reductions in benefits, Moynihan challenged that “if he really meant that, why not try one last time.” From there, they were off to the races. Of course, it didn’t hurt that each of them had served on the Greenspan Commission.

This interpretation has merit in the fact that you can review the final report of the Greenspan Commission without finding any mention of a raise in payroll taxes. In fact, the Greenspan Commission seems to have studied the Social

Security crisis for a year without coming up with any substantial recommendations for change.

The crisis had started after Social Security drew on its trust fund for seven years in a row (see chart above) because high unemployment had reduced revenue. Although it never needed more than \$5 billion during any single year, and still had quite a bit in trust, Congress and the Administration panicked just as they do any time an entitlement turns to its trust fund. Money already promised elsewhere must be taken out of the Treasury's General Fund.

In 1997, Congress went bananas when Medicare needed \$3 billion to meet its commitments, even though it was later found that unscrupulous doctors had been bilking the system of some \$23 billion. Politicians still claim that Medicare is going under. They did the same when the Department of Transportation wanted its trust fund money in order to repair Interstate Highways starting in 1998. In the latter case, they immediately added four cents to gasoline taxes so withdrawals only happened once and the Highway Trust Fund now has an accumulation of \$32 billion. Nine billion more than it had at the time of its single 1998 withdrawal.

Filled with confidence in his new bill, Moynihan delivered a speech to the John F. Kennedy School of Government at Harvard University on March 16, 1998. The speech was titled "Social Security Saved" and may be read in its entirety by clicking the link below. If you have any trouble downloading this pdf file, e-mail me and I'll send it to you in another format.

[Moynihan's speech at Harvard](#)

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SURVEY

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