

# Lux Esto Law Review



## COLUMN – “NEW DEAL” V. BAD DEAL

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## Law and Politics

### “NEW DEAL” V. BAD DEAL LAWMAKERS’ CAMPAIGN OF MASS-DECEPTION

By Sam Sedaei

Following his reelection to the office, Bush has kept the task of privatizing social security at the top of his agenda. With his republican congressional allies in power, he doesn’t have much to worry apart in terms of convincing the lawmakers to support his reckless plan. However, he has been traveling all over the United States trying to convince the public that privatization is a good idea. It is important to review the condition of Social Security and then proceed to learn what this administration is doing to mislead the public on this issue.

The Social Security program was implemented as an integral part of FDR’s “New Deal.” After the stock market crashed in 1929, the economy pushed millions of Americans below the poverty line. Such widespread economic devastation led FDR to introduce a new opinion about the nature of poverty, which was, most poor individuals are not responsible for poverty, but they are rather its victims. FDR believed that the American society has the *right* to economic security. Out of that belief the “New Deal” initiatives and the Social Security program were born.

Social Security works in a very different way than people think. As opposed to what many believe, the social security does not work by way of taxing individuals a certain amount throughout their working careers only to pay them back the same amounts when they are retired. The program works rather in a way that at a certain point in time, there is a stream of money coming in (from social security tax paid by those who are currently working) and a stream of payout (going to those who are currently social security beneficiaries.) So if there is a large population of workers and a low population of retired individuals at a certain point in time, the amount of social security benefits that the retired will receive is higher than if there is a low number of workers and a high number of social security beneficiaries.

It has been known for a long time that the Social Security is going to be in trouble in twenty years down the road. The reason is due to the baby boom of the mid-twentieth century in the United



Franklin D. Roosevelt

States. At that time there was a sharp increase in the number of births in America, which was followed by a decrease of almost equal amount a few years following the original boom. Hence as baby boomers reach the age of retirement, their number would exceed those who will be working. Consequently, the next generation would have to pay more social security taxes to cover the Social Security benefits of baby boomers.

The Social Security debate was one of the Topics of the 2000 presidential campaign. At the time while Bush did not have a clear plan as to what he was going to do to fix the problem of social security, Gore had a solution. When Clinton left office, the US was enjoying a large surplus in its treasury, which was enough to cover the amount of extra money needed to cover the benefits of baby boomers. Gore had the idea of putting that amount of funds in a “lockbox” and save it for the baby boomers. It would have solved the problem of social security.

However, as Bush became president, the Social Security talks were neglected as Iraq became the main focus. Now he and his allied lawmakers are proposing to privatize Social Security. They say that the main purpose of privatization is so that individuals would be able to have their own personal accounts and the social security tax they pay throughout their working days would be saved for their own retirement. What’s more, in order to implement privatization, they need to borrow billions from foreigners, pushing American economy into even deeper debt and causing dollar to get even weaker, comparing to euro and yen.

But what is the most important point to note is that as you may have noticed, privatization does nothing to solve the problem of social security. But the only philosophy behind privatization is to create a policy where the rich wouldn’t have to contribute to the general pool of social security, but rather get all of their social security payments back at the time of retirement. The philosophy behind the Social Security is the same as that behind the tax-cuts for the wealthiest which we have seen for the past five years.