

Washington's Lies

BY WALTER E. WILLIAMS



During his campaign President Obama and his congressional supporters estimated that overhauling the nation's health care system would cost \$50–\$65 billion a year. On June 15 the Congressional Budget Office (CBO) reported that Obama's overhaul would cost at least \$1 trillion. It's clear that Obama's cost estimates are untrue, and over ten years, it's likely the recent CBO's numbers will turn out to be untrue as well. Government estimates of what a spending program will cost are always lies whether they come from a Democratic or Republican president or Congress. You say, "Williams, you don't show much trust in the White House and Congress." Let's check out some of their past dishonesty.

At its start in 1966, Medicare cost \$3 billion. The House Ways and Means Committee, along with President Johnson, estimated that Medicare would cost an inflation-adjusted \$12 billion by 1990; however, by 1990 Medicare costs topped \$107 billion. That's nearly nine times greater than Congress's prediction. Today's Medicare tab comes to \$420 billion with no signs of leveling off. How much confidence should we have in any cost estimates by the White House or Congress?

Another part of the Medicare lie is found in Section 1801 of the 1965 Medicare Act, which reads: "Nothing in this title shall be construed to authorize any federal officer or employee to exercise any supervision or control over the practice of medicine, or the manner in which medical services are provided, or over the selection, tenure, or compensation of any officer, or employee, or any institution, agency or person providing health care services." Ask your doctor or hospital

whether this statement contains even one iota of the truth.

Washington's lies and deception are by no means restricted to modern times. During the legislative debate before ratification of the Sixteenth Amendment, President Howard Taft and congressional supporters said that only the rich would ever pay federal income taxes. In 1916 only one half of 1 percent of income earners were affected. Those earning \$250,000 a year in today's dollars paid 1 percent, and those earning \$6 million in today's dollars paid 7 percent. The promise that only the rich would pay was simply a lie to exploit the politics of envy and dupe Americans into ratifying the Sixteenth Amendment.

The Social Security Lie

Another big congressional lie is Social Security. Here's what a 1936 government Social Security pamphlet said: "After the first 3 years—that is to say, beginning in 1940—you will pay, and your employer will pay, 1.5 cents for each dollar you earn, up to \$3,000 a year. . . . [B]eginning in 1943, you will pay 2 cents, and so will your employer, for every dollar you earn for the next 3 years. . . . And finally, beginning in 1949, twelve years from now, you and your employer will each pay 3 cents on each dollar you earn, up to \$3,000 a year" (www.tinyurl.com/2c8d4p2).

Here's Congress's lying promise: "That is the most you will ever pay." Let's repeat that last sentence: "That is the most you will ever pay." That was a maximum of \$90 a year. Compare that to today's reality, which is

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6.2 cents on each dollar that you earn up to nearly \$107,000, which comes to \$6,621. That's \$432 in inflation-adjusted 1936 dollars. And that does not include the fictional so-called employer's share.

The Social Security pamphlet adds another lie: "Beginning November 24, 1936, the United States government will set up a Social Security account for you. . . . The checks will come to you as a right. You will get them regardless of the amount of property or income you may have." That's another lie. First, there's no Social Security account for you, but more important, in *Helvering v. Davis* (1937) the Supreme Court held that Social Security was not an insurance program, saying, "The proceeds of both (employee and employer) taxes are to be paid into the Treasury like internal-revenue taxes generally, and are not earmarked in any way." In a later decision, *Flemming v. Nestor* (1960), the Court said, "To engraft upon Social Security system a concept of 'accrued property rights' would deprive it of the flexibility and boldness in adjustment to ever-changing conditions which it demands. . . ." That ruling established the principle that entitlement to Social Security benefits is not a contractual right. "Flexibility and boldness" means Congress can constitutionally do anything it wishes, including cutting benefits, raising retirement age, increasing Social Security taxes, and ultimately eliminating payments for some or all Americans.

The 1936 Social Security pamphlet closes with this promise from the government: "You will always get more back from this program than you pay into it, and you will always get more with this program than you could have possibly gotten on your own by saving and investing." That's a lie. According to a report by Boston University Professor Laurence J. Kotlikoff, "Privatizing Social Security," baby boomers will get a real rate of return of less than 2 percent. Generation Xers will get less than 1 percent, and today's newborns will get a rate of return close to zero (www.tinyurl.com/2brx2ss [PDF]). Almost any private retirement plan yields higher returns.

Coupled with Medicare, Social Security is a disaster waiting in the wings. As the NCPA's Pamela Villarreal writes, "The 2009 Social Security and Medicare Trustees Reports show the combined unfunded liability of these two programs has reached nearly \$107 trillion in today's dollars! That is about seven times the U.S. economy and 10 times the national debt. Unfunded liability is the difference between the benefits that have been promised to current and future retirees and what will be collected in dedicated taxes and Medicare premiums. . . . If no other reform is enacted, this funding gap can only be closed in future years by substantial tax increases, large benefit cuts," increases in retirement age eligibility, or some combination thereof.

The Supreme Court ruled that Social Security taxes were to be treated like any other revenue, and that you don't have any right to payments.

Why We Believe

Here's my question: Why are so many Americans taken in by Washington's lies? I think there are several likely answers. Man is tempted by what looks like a free lunch. He is also tempted by government's promise to permit him to live at the expense of someone else. Some people are totally ignorant of the effects of government programs on the socioeconomic fabric of our country. There are many Americans who do understand the problem

but what do they care? The primary beneficiaries of massive government spending are senior citizens. When the economic calamity arrives, they and the politicians who created all of the spending programs will be dead. Any politician who endeavors to eliminate the massive spending programs, in an effort to forestall the calamity, will be run out of office by the program's beneficiaries. That means the status quo rules.

People might ask: What can be done to preserve American exceptionalism and greatness? My answer to such a question is a question: How do Americans systematically differ from citizens of past great nations who supported political actions that ultimately drove their nations into the ground? **FEE**