

The 85.3 million 'missing' Americans are bankrupting Social Security

by Richard Freeman

At the center of the congressional fight over the budget is what to do with the three largest entitlement programs: Medicare, Medicaid, and Social Security. The "Contract on America" crowd seeks to dismantle these programs, following the logic of Nazi cost-accounting: that the elderly and poor are greedy, and that it costs too much to provide the medical and other services needed to keep them alive.

Working from this script, the Senate Finance Committee on Sept. 30, and the House Budget Committee on Oct. 12, approved bills that call for federal budget cuts of \$270 billion in Medicare and \$182 billion in Medicaid. These are federally sponsored programs that provide medical assistance to, respectively, 37.6 million elderly and 28.4 million poor persons. The minimum effect of the proposed cuts will be to double the number of Americans who are not medically insured to 80 million; close between 3,000 and 4,000 hospitals and health clinics; for those still retaining coverage, double the premium payments that must be paid; and herd the elderly and poor into health maintenance organizations, where the stated thinking is that the quality and extent of medical coverage must be truncated in order to minimize costs.

By strict actuarial accounting tables, these cuts will result in the murder of elderly and poor Americans.

Yet, even those who oppose the proposed cuts in Medicare, Medicaid, and Social Security do not call into question the axiomatics that underlie the debate: that based on the expected inflows into these systems, and the expected payments to beneficiaries, according to the Board of Trustees of the Social Security trust funds (formally called the federal Old-Age and Survivors Insurance [OASI] and Disability Insurance [DI] trust funds), and the Medicare, Part A, trust fund (formally called the Federal Hospital Insurance [HI] trust fund), the Social Security trust funds will run out of money and go into bankruptcy in the years 2029-2030, and the Medicare trust fund will go bankrupt sometime within the next seven years. (While this timetable may be a little hasty, there is no doubt that they each will eventually run out of money, if present circumstances continue.)

One is then invited to participate in the debate on these programs on the following terms: Either one suggests where to get the money to fund these programs, or one shuts them down.

But any serious person must leave the domain of talking about budget cuts, or money, or anything like that, and approach the matter in a more fundamental way, in order to solve the problems of Social Security, or Medicare, or anything essential in economics.

The demographic debacle

The overriding reason that there is a funding crisis in Social Security, is because 85.3 million Americans are *missing*. These are the people who would have been born had the United States followed sound economic policies and continued the birth rate of 1945-59 into the period of 1960 through to the present. Had that been done, at the end of 1995, the United States would have a population of 348.1 million persons, rather than the 262.8 million that the Census Bureau projects for the end of this year.

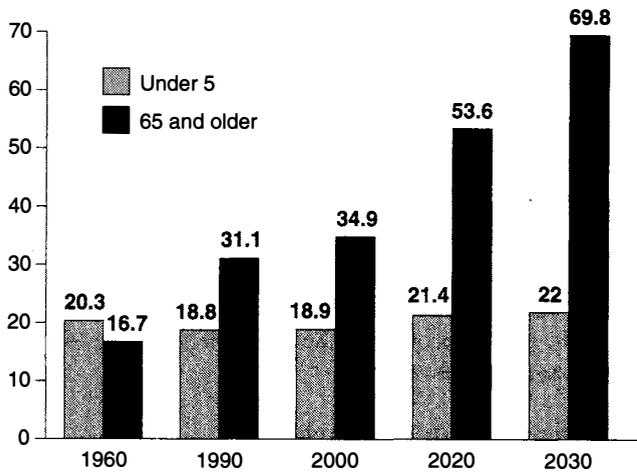
The reason that America did not continue the birth rate of 1945-59, or for that matter, the higher birth rate of the period 1830-1930, is not because of some individual decision by this or that person. It is because of a profound breakdown in America's economic and moral policies. America adopted the "post-industrial society" policy, scripted by the Anglo-Dutch oligarchy grouped around the British Crown, at the time of the murder of President John F. Kennedy in November 1963. This led to the breakdown in America's birth rate and an ensuing demographic debacle: This is the reason the Social Security, Medicare, and other systems are going broke.

In 1950, there were 15 workers paying taxes for every retiree collecting Social Security benefits. Today, this has shrunk to 4 workers paying taxes for every retiree receiving Social Security. By the year 2030, there will be only 2 workers for each person collecting Social Security. That is the crux of the problem. To put this another way, in 1960, the number of children under the age of 5 totalled 20.3 million, while people 65 years and older totalled 16.7 million. By 1990, those under 5 years and under totalled 18.8 million, but those 65 years and older totalled 31.1 million. By the year 2030, the year that the Social Security trust funds are supposed to go broke, the number of those under 5 will total 22 million, while those 65 years and older will number 69.8 million, that is, they will outnumber those under the age of 5

FIGURE 1

Population under 5 remains stagnant, while elderly population grows

(millions)



Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Census Bureau, *Statistical Abstract, 1993 and other years*; Bureau of the Census, *Projections of the Population of the United States, by Age, Sex and Race: 1988 to 2080 (series P-25, No. 1018) and 1992 to 2050 (series P-25, No. 1092)*.

by greater than 3 to 1 if present trends continue (**Figure 1**).

It is a truism these days that “America is graying.” While it is true, and wonderfully beneficial, that Americans live longer, and that Americans 65 years and older will be a greater absolute number each succeeding decade, it is not natural that Americans over the age of 65 should become a greater percentage of the total population. *In a healthy economy, while the number of people over 65 grows absolutely, it remains relatively the same percentage of the total population.*

The key today is to reverse the “post-industrial” policies introduced in the 1960s, which emphasize financial speculation over real production, and the spread of the counterculture. America must return to the birth and population growth rates of the period 1945-59, and the economic development of the Kennedy years. We can do far better today, in terms of genuine scientific discovery, and the attendant technological spinoffs producing economic advancement, than was achieved back then. This is because we have the advanced ideas of economist Lyndon LaRouche, which give a scientific basis to the question of how to reorganize the economy and achieve economic growth. But we must return to the standard of the 1945-59 period, in the sense of the commitment to employing labor in a capital-intensive, power-intensive mode of production. These policies generate and are conducive to healthy rates of population growth of 24.547 births per 1,000 people, as happened during 1945-59. If we achieve the overall economic growth policies, then as a lawful, natu-

ral consequence, the birth and population growth rates will follow. A family will have the optimism to have children, and the knowledge that these children can be supported.

This article will look briefly look at how America’s adoption of the “post-industrial society” produced the current demographic catastrophe. It will then look at the immense impact that this has on economic life: It distorts the entire economy. Next, we will examine the cases of the funding crisis of Social Security and Medicare. It will show how the “population gap” of 85.3 million people is the overriding cause for the Social Security and Medicare funding crises. The Social Security and Medicare cases demonstrate how the demographic downturn affects all other budget issues.

1960s turning point

Prior to 1963, the U.S. economy functioned, although it had some very serious problems, such as the 1957-58 recession. Then with the British intelligence-Perminde murder of President John Kennedy, the British unleashed the post-industrial society in the United States. Speculation took off, as manufacturing and agriculture withered. In the 1960s, there was first speculation in the offshore, unregulated Euro-dollar market. Then, with the disastrous August 1971 decision to take the United States off the gold standard, petrodollar recycling exploded. During 1973-75, there was the first oil hoax, which was followed in 1978-79 by the second oil hoax. In 1979, Federal Reserve Board Chairman Paul Volcker sent interest rates up over 20%, fuelling even greater speculative madness.

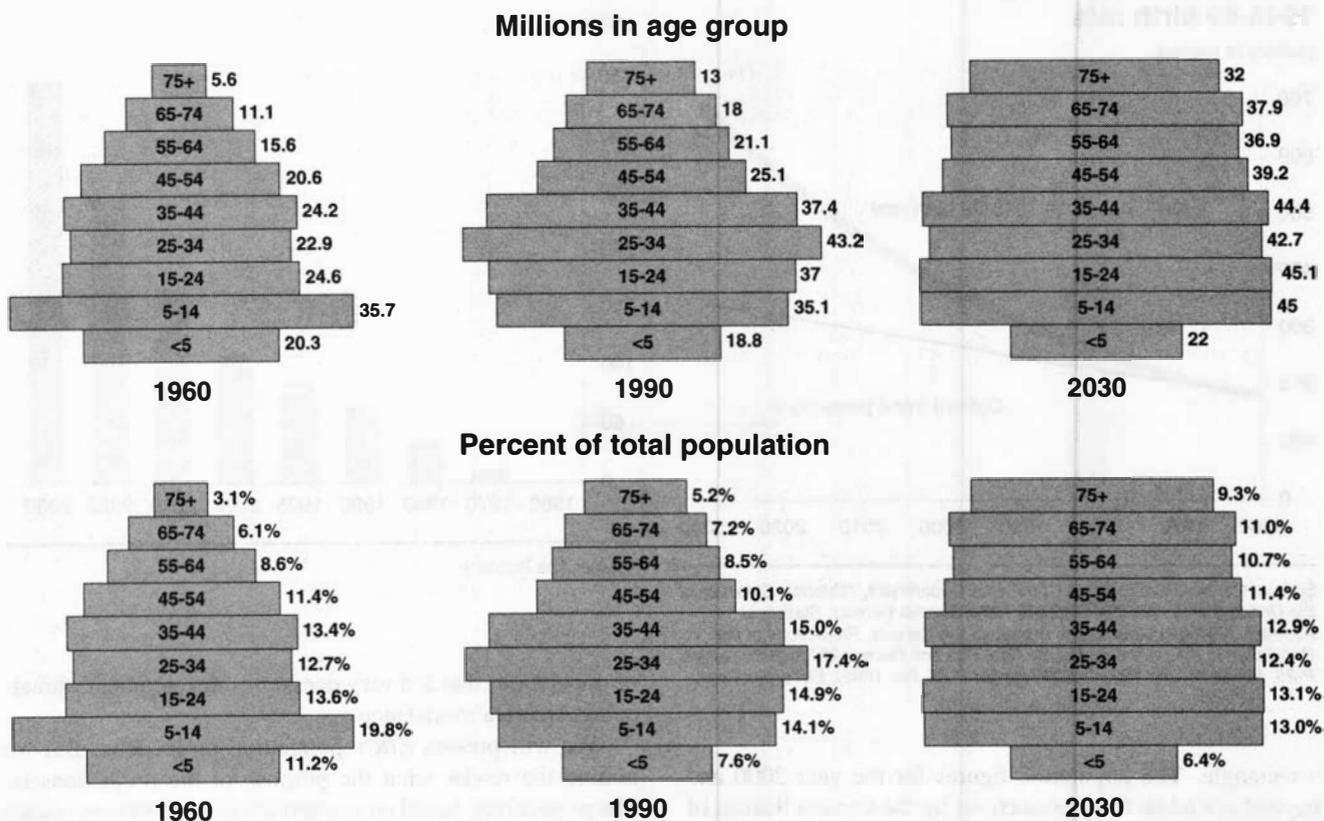
During the 1970s, there was an explosion of mergers and acquisitions, driven by leveraged buy-outs (LBOs). In the late 1980s, this was compounded by the skyrocketing of financial derivatives trading, consisting of foreign exchange trading, stock and commodity options speculation, etc.

In the previous article, Chris White documents that the fervid speculation forced the physical economy to contract. The wage packet of an average family, even when two and three family members were working, could buy less and less. By 1990, it bought 30-40% less of the necessary consumer and infrastructural goods inputs than it did in 1956. People could no longer afford to raise more than one or two children.

Then, the second prong of the post-industrial society, the rock-sex-drug counterculture, led by such acts as the Beatles and Rolling Stones, was set loose. It stressed that getting high on drugs, or having a homosexual relationship, or speculating in derivatives was more “self-satisfying” than rearing children.

The combined effects of the post-industrial society caused America’s fertility rate and the birth rate to plunge. The fertility rate measures the number of children a woman in the child-bearing age range of 19 to 44 will have. The fertility rate fell from an average of 3.35 children in the period 1945-59, to 2.48 children in 1970, to 1.88 in 1973. It has hovered at or below 2.1 for the last 22 years; 2.1 is the

FIGURE 2
U.S. current population trends



minimal number of children all women of child-bearing age must have in order to reproduce the human species. By this standard, the United States is below the level of biological reproduction. There are several ways to measure the birth rate. One significant birth rate measures how many births there are per 1,000 people (male and female) of the population. This birth rate averaged 24.547 for the period 1945-59. It fell to 18.2 in 1970, and to 15.0 today, a fall of 38% from 1945-59 levels.

Ironically, were it not for immigration, America would soon have a “negative population growth” society.

The flattening of the population pyramid

The comparison of those in the population under 5 years of age to those 65 years and older, for selected years from 1960 through 2030, has already been shown (Figure 1). Now, in Figure 2, we take a look at the age breakdown for the entire population, beginning with children under 5, and then going up by 10-year intervals until we reach the age of 75, at which point we class all those 75 years old and above in one category.

When this is displayed, this should form what is called a

“population pyramid”: The younger age groups should form a wide base, and then the pyramid tapers upward with age toward the top. In a healthy economy, this is the configuration we would expect, and 1960 America conforms exactly to this configuration. In 1960, the United States had a population of 180.7 million, of whom 20.3 million were under 5 years, 35.7 million were in the age bracket of 5 to 14 years, and 24.6 million were in the age bracket of 15 to 24 years. These constituted 11.2%, 19.8%, and 13.6%, respectively, of the population, so that 44.6%—nearly half—of the entire population was 24 years old or younger. This made up a very wide pyramid base. By contrast, the number of people in the age groups 55 to 64 years, 65 to 74 years, and 75 years and older, totalled 15.6 million, 11.1 million, and 5.6 million people, respectively. Only 17.8% of Americans were 55 years old or older.

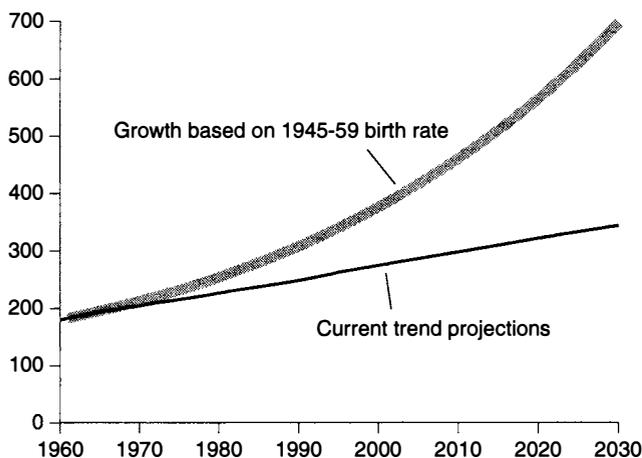
By 1990, a dramatic shift was already under way: 36.6% of the 248.7 million population were under the age of 24 years; 20.9% of the population were 55 years old or older.

But, by the year 2030, if the currently projected trend continues, the base and the upper portion of the pyramid will equal one another; the pyramid will have been flattened into

FIGURE 3

What U.S. population size should be: current trend projections vs. growth based on 1945-59 birth rate

(millions of people)



Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Census Bureau, *Statistical Abstract*, 1993 and other years; Bureau of the Census, *Projections of the Population of the United States, by Age, Sex and Race: 1988 to 2080* (series P-25, No. 1018) and 1992 to 2050 (series P-25, No. 1092); EIR projections.

a rectangle. The population figures for the year 2000 and beyond are taken from projections by the Census Bureau of the Commerce Department (“Projections of the Population of the United States, by Age, Sex, and Race, 1988 to 2080 [series P-25, No. 1018] and 1992 to 2050 [series P-25, No. 1092]”). By 2030, only 32.4% of the projected 345 million Americans will be under the age of 24 years, while an almost equal 31% of the population will be 55 years old or older. The flattening out of the population pyramid is extremely unnatural and dangerous. It is evidence of an economy that is disintegrating.

Where did they go?

The population growth trends of America are headed in the wrong direction. In fact, an *EIR* study shows that in 1995, there are 85.3 million missing people, due exclusively to the post-industrial society’s 35-year process of destruction of the 1945-59 birth rate.

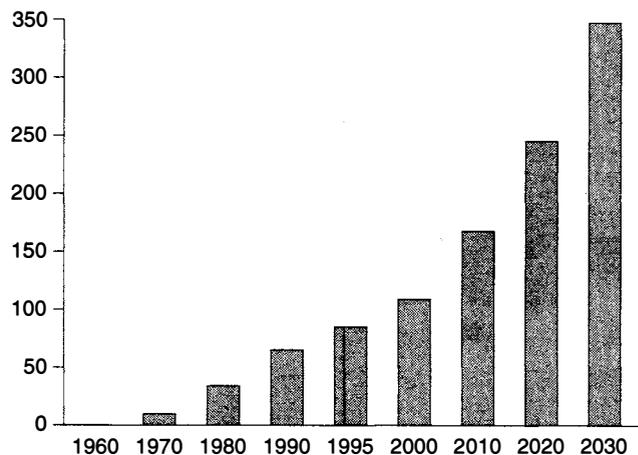
By the year 2030, there will be 353.3 million “missing” Americans for the identical reason. **Figure 3** shows, from 1960 through 2030, the study’s comparison of the population America has had and will have, if current trends are continued, and the population it should have had if the 1945-59 birth rate had been continued. **Figure 4** shows the size of population increase that would have occurred for selected years.

While the malthusian lobby may jump for joy at the loss

FIGURE 4

Addition to population size had 1945-59 birth rate been continued

(millions)



Source: See Figure 3.

of population, this is a very dangerous development, threatening America’s existence.

We will present *EIR*’s population projections. But we remind the reader what the purpose of the projections is. The projections, based on extrapolations of birth rates, death rates, levels of immigration, etc., are only numerical values; they are merely reflections of the truth. There are many forces in an economy, especially man’s creative power of discovery, which will alter what is being projected, even after only a few years. No projection, especially for 10 to 15 years or more, ever works out in exactly the manner it is made. It may be significantly improved upon because of other forces put into motion by the economic force one is making projections about.

The value of a projection here is that it allows one to conceptualize a 70-year period as a single entity, a multigenerational phase of economic activity, causally connecting the present to both past policies and plans for the future.

To determine the number of Americans who have been lost to the post-industrial society, one must first determine the birth rate and population growth that the post-industrial society policies interrupted. Thus, *EIR* looked at the birth rate of the period 1945-59 that immediately preceded the introduction of the post-industrial society. This 15-year birth rate averaged annually 24.547 births per 1,000 people (male and female). *EIR* reconstructed the American population from 1960 onward, using this birth rate, to determine the number of missing Americans for any year.

The objection may be raised: “The birth rate selected for the 15-year period 1945-59 is too high to use for purpose of

making population projections. This period encompasses the 1950s, the time of the ‘baby boom,’ which had a very high birth rate.”

The objection allows us to puncture a myth, while examining historical birth rates: the idea of a “baby boom,” when applied to the 1950s, is a misnomer. The birth rate of the 1950s was actually a normal level. It only looks high when compared to the birth rate of the 1930s Depression or to World War II, each of these rates was artificially low. During the 1930s, the birth rate averaged 19.2 births per 1,000 people, which is below the level of 1945-59. But is it any wonder that when people did not know where the next morsel of food was coming from, they did not have many children? The 1930s birth rate is still higher by 30% than the birth rate of the 1990s.

Let us look at periods of American history that were not distorted by depression or war. For example, from 1900 to 1930, the birth rate averaged 28.2. For 1880, it was 35.2, and for 1840, it was 51.8. Granted that during earlier periods, women bore more children to offset the higher infant and child mortality rate then existing; but even adjusting the earlier period’s birth rate downward (by subtracting from it the excess of the higher mortality rate), the average birth rate for 1945-59 is still significantly below the average birth rate of the entire century 1830-1930.

In 1965, when President Lyndon B. Johnson delivered his “Great Society” speech, he stated that the nation must be prepared for 400 million Americans at the start of the twenty-first century. That figure depended on a birth rate slightly higher than that of 1945-59. Back in the 1960s, the 1945-59 birth rate seemed natural and normal.

We now present a very brief summary of the demographic method that the *EIR* study employed to calculate the missing Americans, just enough so that the reader is familiar with the outlines.

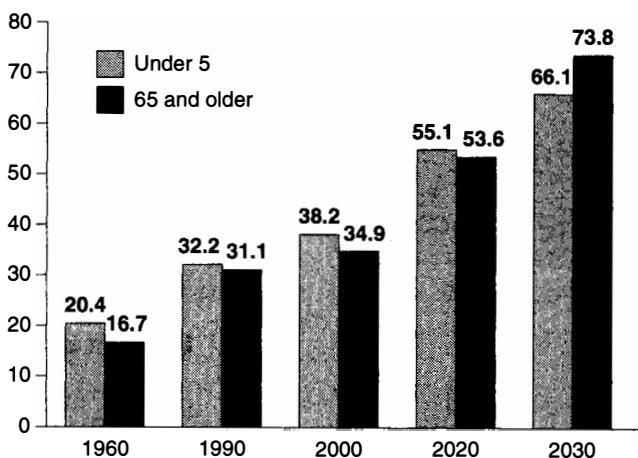
To start, the *EIR* study multiplied the average birth rate of the period of 1945-59 times the size of America’s population at the start of a particular year (say, 1960). This determined the number of new births for that year. Next, from the new births for the year, we subtracted the number of deaths and added the number of net new immigrants. This gave a figure called “the net change in population” for that year. This net change in population was then added to the population at the start of the year to determine what the population level would be for the start of the next year.

To give an example: In 1960, the population was 179.336 million. Multiplying this by the birth rate of 24.547 births per 1,000 people yields 4.404 million new births. The deaths for 1960 were 1.708 million, and the net new immigration of population was 0.328 million. So the net change in the population for the year was $4.404 - 1.708 + 0.328$, or 3.024 million. This was added to the population at the start of the year to yield a population at the end of 1960 of 182.410 million. This level became the population for the start of

FIGURE 5

One solution to the crisis: building up the under 5 population by continuing 1945-59 birth rate

(millions)



Source: See Figure 3.

1961. That population was then multiplied by the birth rate of 24.547 births per 1,000 people and the procedure was repeated. (For the years beyond 1995, various assumptions were made for the rate of increase of the death rate, the level of net new immigration, etc.)

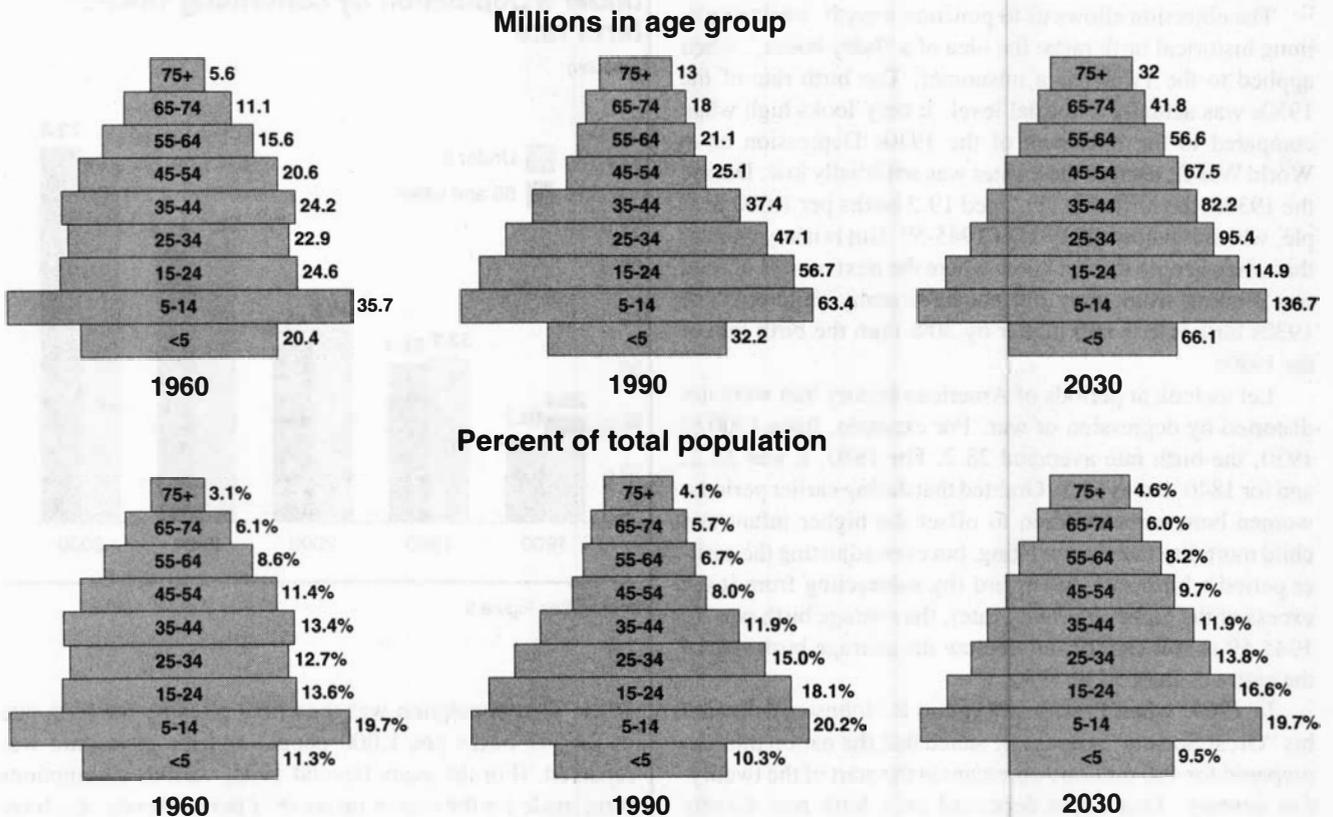
Restoring the population pyramid

It is now possible to revisit the population pyramids and correct them by adding in the additional people who would be alive in each age category, had the policies of the post-industrial society not decimated America’s birth rate and prevented tens of millions of people from being born. **Figure 5** should be compared to Figure 1. In Figure 1, by the year 2030, there will be 69.8 million people 65 years and older, compared to 22 million children under the age of 5, a ratio of greater than 3 to 1. Now, by adding back in the people who should have been born, but were not, because of the post-industrial society, one finds that in 2030, there are 73.8 million people 65 years and over, and 66.1 million children under the age of 5. (Notice that by the year 2030, the number of people 65 years old and over has grown slightly, due to the continuation of the 1945-59 birth rate.) So, under these conditions, the number of people 65 years and over is only slightly larger than the number of children under the age of 5.

Thus, the condition obtaining in Figure 1 is unnatural; it is the condition of the “graying of America.” It is the condition obtaining in Figure 5, which is actually natural, wherein only a small “graying of America” goes on.

FIGURE 6

Current plus added population: what the U.S. population *should* be, based on 1945-59 trend



This also shows up in the population pyramids. Recall how in Figure 2, by the year 2030, the population pyramid had flattened out into a rectangle. Now, adding back in the people who should have been born, in Figure 6, it resumes its shape of a pyramid.

Eliminate the post-industrial society policy, and in demographic terms, the American economy becomes healthy again. Of course, if an economic recovery got going in America, it is conceivable that America would grow at a rate greater than the average 1945-59 birth rate. The results would be beneficial.

Change in the labor force

We now track the increased population, had America continued the 1945-59 birth rate, to see what changes it would bring about in the labor force, and how the added workers would create added tax revenues (Figure 7).

For example, the addition of 85.3 million Americans in 1995, would add 21.2 million more workers to the labor force: 2.1 million would be workers 16 to 17 years old; 3.1 million would be workers 18 to 19 years old; 8.3 million would be workers 20 to 24 years old; and 7.8 million would

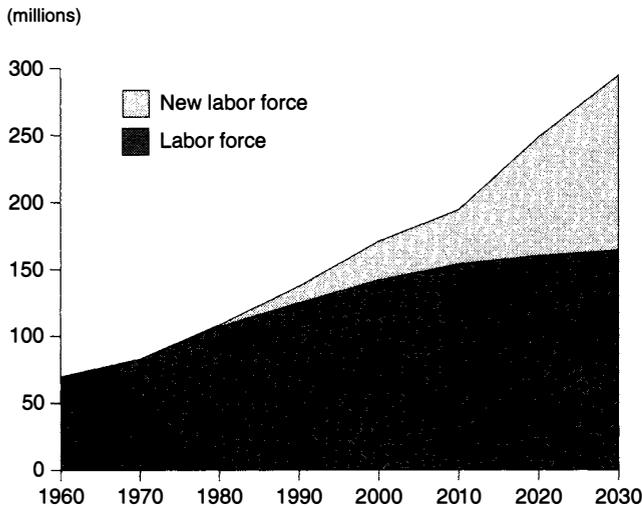
be workers 25 to 64 years old. The reason that, of 85.3 million newly added people, only 21.2 million would be new workers, is that much of the newly added population is not old enough to be in the labor force: With the birth rate change starting in 1960, the oldest any members of the newly added population would be is 35 years old.

The addition of 21.2 million new workers would increase the labor force, in 1995, from 130.1 million up to 152.3 million, an increase of 16%.

By the year 2030, the addition of 348.2 million people would add 130.6 million workers to the labor force. The labor force, which would “normally” be roughly 164.2 million workers in 2030, would increase to 294.8 million, an increase of 80%, or a near doubling. That is, a new labor force practically equal in size would be added to the old one. Figures 8 and 9 show, respectively, the addition to the labor force size, and the percentage increase of the labor force size, due to continuation of the 1945-59 birth rate.

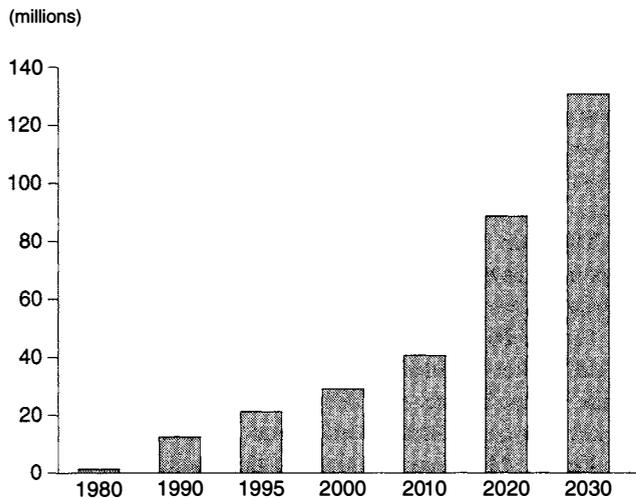
To know how many people are added to the labor force from the ranks of the added population, one must know the labor force participation rate. Defined for a particular age group, the labor force participation rate states what percent

FIGURE 7
New workers: U.S. labor force nearly doubles based on 1945-59 birth rate



Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Bureau of Labor Statistics of the Department of Labor, *Handbook of Labor Statistics, 1980*; Bureau of Labor Statistics *Employment and Earnings*, January 1995 and other years; *EIR* projections.

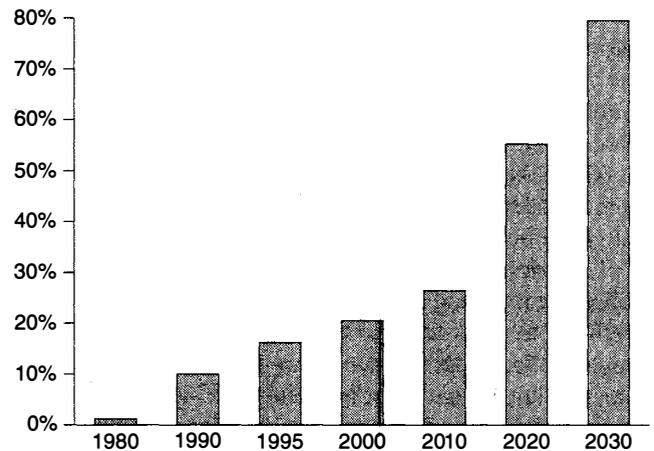
FIGURE 8
Addition to labor force size due to continuation of 1945-59 birth rate



Source: See Figure 7.

of an entire age group is in the labor force, working. **Table 1** displays the labor force participation rate for selected age groups and for selected years, 1960 through 1994. For the

FIGURE 9
Percentage increase of labor force size due to continuation of 1945-59 birth rate



Source: See Figure 7.

TABLE 1
Labor force participation rate
 (percent of total in age group)

	Age 16-17	Age 18-19	Age 20-24	Age 25-64
1960	37.5%	59.5%	68.3%	67.8%
1963	37.5	57.5	67.9	68.5
1966	39.9	59.9	69.7	69.2
1970	41.0	56.8	72.2	71.3
1980	46.9	66.5	77.2	74.0
1990	42.8	63.7	77.8	78.8
1994	43.3	62.5	77.0	79.3

purposes of this study, *EIR* added new people to the labor force at the labor force participation rates that existed in 1960, even though these rates are lower and add fewer new workers to the labor force.

Though this is not the place to discuss this matter at length, the reason for choosing the 1960 labor force participation rates, is that they were the most conducive to family formation and child rearing. Look at the labor force participation rate for the age group 25 to 64 years. It rose from 67.8% in 1960, to 79.3% in 1990. This is due exclusively to the fact that women entered the labor force in huge numbers. If a woman wishes to work for reasons of independence, the mental challenge, etc., she should do so. But it was not a matter of choice, but collapsing family income, that forced women into the labor force en masse over the past 35 years.

Even with some optimal spacing of children, if a husband and wife decide to have four children, and to have the wife stay home for the children's first five years, the mother would have to be out of the labor force for 12-17 years. Most families cannot afford to have the wife not working for that long, and therefore cut back on the number of children. The alternative, paying for child care for the first five years of each child's life, can be prohibitively expensive if a family has three or four children.

The additional workers added to the labor force, resulting from the additional population growth, would have multiple extremely powerful effects upon the economy.

Consider just one: With any genuine recovery of the sort LaRouche is talking about, the United States would shift the profile of its labor force so that one-half of its workforce is employed in productive activity in manufacturing, agriculture, and infrastructure, or in useful "soft" infrastructure activity, such as education, medicine, or science. If such a shift were to occur, then of the 21.2 million workers who would be added in 1995 to the labor force, as a result of restoring the missing 85.3 million people to the population, then half, or 10.6 million, would work as productive or useful workers. That 10.6 million equals one-third of all those in the labor force currently employed in such categories of work.

By the same token, if such a shift were to occur in 2030, then of the 130.6 million workers who would be added to the labor force, as a result of restoring the missing people to the population, then half, or 65.3 million, would work as productive or useful workers. That figure of 65.3 million workers is twice the number of all workers doing productive or useful work today: It is virtually an economy unto itself. To lose such economic output is a crime.

Social Security tax revenues

It is now possible to tackle the question of taxes, which becomes easily manageable. Social Security was established as a trust fund, totally separate from the U.S. budget. It has its own tax to keep it running. Currently, the Social Security tax rate is 6.2% of a person's wage. Medicare, which is also a trust fund, works on a similar principle. Restore the lost population, and the corresponding lost workers to the economy, and the question of keeping the Social Security and Medicare trust funds solvent can be solved with ease.

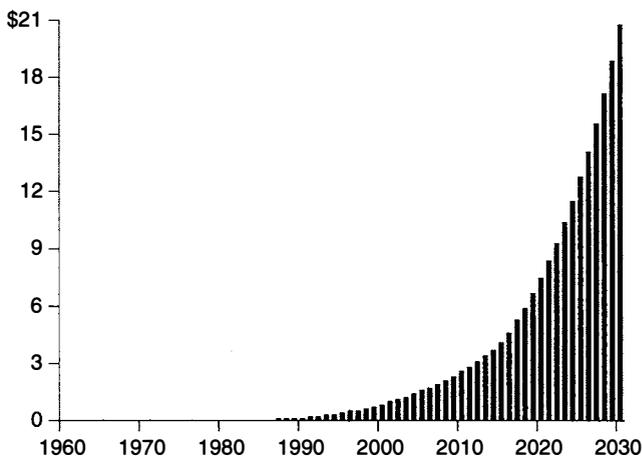
But keep in mind that the solution to this crisis is not a question of money, and it is not a matter of any brand of mathematics. It is a question of altering the real physical economy. Questions of relative potential population-density always determine the budget.

We know how many new workers have been added to the labor force as a result of restoring the lost population. Only about 9 out of every 10 workers in the labor force is covered by Social Security, and therefore pay Social Security taxes, so, multiply the number of newly added workers to the labor force by nine-tenths to get the number who will be paying

FIGURE 10

Cumulative new tax revenues added to Social Security trust funds by continuation of 1945-59 birth rate

(trillions \$)



Source: Social Security Administration *Annual Statistical Supplement, 1994*; *1994 and 1995 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*; Office of Actuary of the Social Security Administration; Congressional Budget Office; EIR projections.

taxes. According to the Office of Actuary of the U.S. Social Security Administration, there is something called the "average annual covered wage." This is not the average wage for the entire economy, but the average wage that is subject to Social Security tax that is earned by a worker who is covered by and pays taxes to the Social Security system. We also know the Social Security tax rate that is paid. This is all that is needed to determine the amount of new Social Security taxes that the newly added workers to the work force would pay.

This sum is then doubled, because whatever the worker pays in taxes to the Social Security trust funds, the employer is required to match.

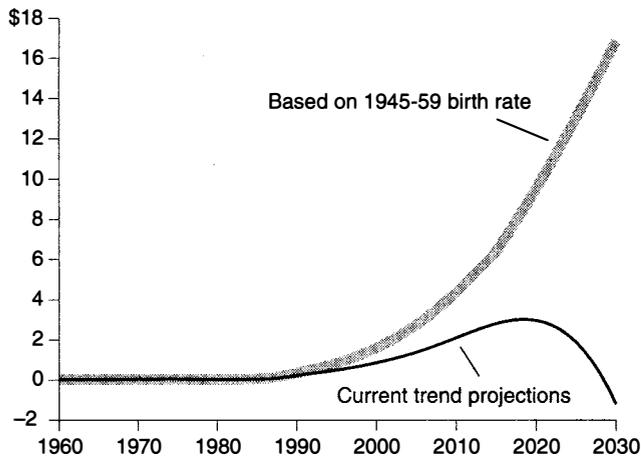
Figure 10 shows the cumulative amount that the newly added workers would have paid into the Social Security trust funds. Thus, by the year 2030, these newly added workers would have contributed an additional cumulative \$21 trillion.

Figure 11 shows the level of the Social Security trust funds, which, combined, are formally called the Federal Old-Age, Survivors, and Disability Insurance trust funds (OASDI). The lower curve shows what, in its 1995 annual report, the Board of Trustees of the OASDI trust funds believe would happen to the year-end asset levels of the OASDI trust funds. The asset levels would rise, reaching a high point year-end asset balance level of \$2.975 trillion at the end of 2019. At that point, the outflow to pay benefits to retired workers starts

FIGURE 11

OASDI Trust Funds' year-end assets: current trend projections vs. contributions based on 1945-59 birth rate

(trillions \$)



Source: See Figure 10.

to exceed the inflows of Social Security taxes (and also some interest paid). By the year 2029, the system would enter the red, and its year-end asset balance would be -\$1.2 trillion at the end of 2030. However, the upper curve shows the effect of kicking into the Social Security trust funds the taxes paid by the newly added workers, who are created by restoring the U.S. birth rate to the average of the 1945-59 period. Even though the outflows increase, the increased inflows more than offset the outflows, and the OASDI trust funds would hold a positive \$16 trillion asset balance at the end of 2030.

The Board of Trustees of the Social Security trust funds believes that the funding of the trust funds will worsen. It calculates that the OASDI trust funds' deficit will widen to \$54.7 trillion in 2050, and then explode to a -\$352.8 trillion balance in 2070. This presupposes that the "graying of America" continues unabated. It is on the strength of this argument, that the Contract with America crowd has advanced various proposals to dismantle the Social Security system, when the moment is opportune. Furthering this drive, the April 1 issue of *Time* magazine ran a cover story, entitled "The Case for Killing Social Security."

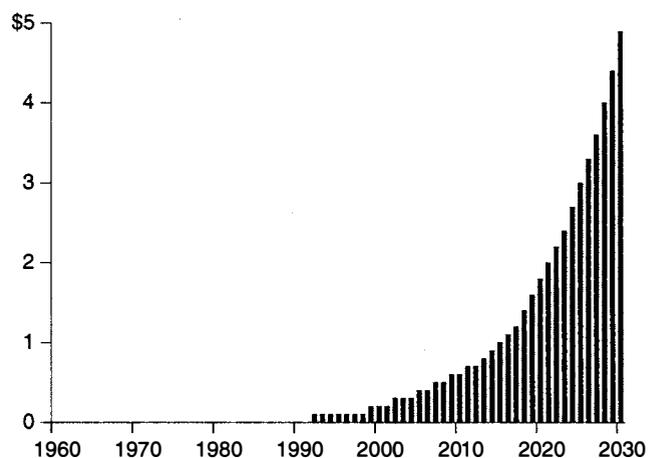
EIR's study only goes through the year 2030. But preliminary calculations show that, based on the continued increase of population and new workers added to the labor force, the OASDI trust funds would remain solvent through the year 2070.

A similar depletion of the federal Hospital Insurance (HI) trust fund, which is the trust fund (Part A) of Medicare, is

FIGURE 12

Cumulative new tax revenues added to Medicare trust fund by continuation of 1945-59 birth rate

(trillions \$)



Source: 1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Fund; Office of Actuary of the Social Security Administration; Congressional Budget Office; *EIR* projections.

being predicted. The bankruptcy of the fund is being predicted for as soon as the next 5-10 years. **Figure 12** shows the amount of tax revenues that the newly added workers would have contributed to Medicare's HI trust fund, if the 1945-59 birth rate had been allowed to continue. While at the time of writing, the figures for what the end-of-year asset balance levels of the Medicare HI trust fund would be under "normal circumstances" are unclear, it appears preliminarily that, as with the Social Security trust funds, the added cumulative contributions to the HI trust fund by the newly added workers would keep it solvent.

This exercise demonstrates that the entirety of the crisis of the Social Security trust fund is demographic, that is, based on the real physical economy.

Solving the crisis

Thus the British imposition upon America of the post-industrial society has devastated the economy and its demographics. Consider what the missing 85.3 million Americans means that America is doing, and is not doing.

In terms of what it is not doing, tally up the market basket of goods and services that America has skipped out on. America should be building schools for the 45.3 million children and young adults, ages 5 to 19 years, who would be alive today and would make up more than half of the added 85.3 million population. This would require brick and mortar, steel girders, tile and glass, etc. America should be building schools, colleges, housing for an additional 85.3 million

people. It would need to build the hard infrastructure, ranging from expanded water to transport systems. It would have to provide the basic consumer commodities from clothing to food. It would need to generate the electricity: approximately 100 gigawatts of new electrical capacity.

America has not performed these tasks, and the tasks not performed define a measure of the devaluation against the American standard of living. What does not providing for 85.3 million Americans mean? If the average birth rate of 1945-59 had been allowed to continue, from 1960 through to the present, America's population would be 348.1 million people, not the current 262.8 million. The population is 24.5% smaller than it should be. The standard of living of each household is 24.5% less, on account of the missing persons. Consider the following illustration.

Suppose there is a family of four people, that only feeds three of those people, because that is the way it can get by. If it gets three pounds of cereals per week, and each person gets an equal share, then the per-capita share of cereals is one pound. But if the family feeds the fourth person as well, then the per-capita share of cereals is 0.75 pounds. The standard of living has fallen 25%. America got around this drop in the flow of consumer, infrastructural, and other physical goods inputs into families by not feeding the fourth family member—by simply not having the child.

This is the sort of cheating, euphemistically called "saving" and "cost accounting," that America has practiced against its own people over the last 35 years. That cheating has a cost: It has endangered the entire Social Security system. *What Americans stubbornly resist learning, is that this cheating against the real physical economy's rate of relative population density always catches up with you.*

Now consider what House Squeaker Newt Gingrich proposes to do. Gingrich is the devotee of the "Third Wave" philosophy of Alvin Tolfer, an even more intense form of the post-industrial society lunacy. Gingrich comes along and says: We must look for new savings, and slash the payments to Medicare, Medicaid, and Social Security retirees. If they die, they die. The problem created by cheating the physical economy the first time, is now "solved" by cheating the elderly and the poor out of their lives.

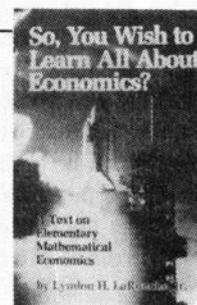
One is then invited to participate in the debate on these programs, provided one accepts the axiomatic assumption: Either one suggests where the money is to fund these programs, or one shuts them down.

Of course, we can't overnight produce the 85.3 million people who have been lost over the past 35 years. But recognizing the root of the problem, we can adopt those national economic policies that will return us to the birth rate of 1945-59 of 24.547 births per 1,000 people. There is no reason we shouldn't exceed that. We can find means to tide over the problems of Social Security and Medicare until the birth and population growth rates are sufficient to reverse the "graying" of America.

More broadly, we must change the physical economy, so that people know that when they bring children into the world, these children will have the material and cultural standards to raise families at even higher standards of living than their parents. We must locate economic wealth, not in money, but where it really is, in the creative force of man's reason: man's individual creative act of discovery, which overturns accepted axioms, creating a revolution in scientific ideas, which drives the economy forward.

Not coincidentally, the reversal of the process of the collapse of the birth rate involves the same steps as are needed to solve the imminent collapse of the speculative world financial system. One must take the steps that LaRouche has recommended: Put the bankrupt financial system through Chapter 11 bankruptcy, nationalize the Federal Reserve, and begin to issue \$5-6 trillion in low-interest credit to foster explosive growth in capital-intensive, high-technology development in manufacture, agriculture, and infrastructure. Jobs will be created. At the same time, the launching of a cultural renaissance will disinfect the world of the counterculture. Not only will people have the optimism to have children, but they will have the income and physical goods inputs to support them.

Then, and on those terms, the funding crises in Social Security and Medicare, and all the other funding crises, can be solved.



So, You Wish to Learn All About Economics?

by Lyndon H. LaRouche, Jr.

A text on elementary mathematical economics, by the world's leading economist. Find out why *EIR* was right, when everyone else was wrong.

Order from:

Ben Franklin Booksellers, Inc.

107 South King Street
Leesburg, Va. 22075

\$10 plus shipping (1.50 for first book, \$.50 for each additional book). Bulk rates available. Information on bulk rates and videotape available on request.