

Fighting Back Against Slashing Social Security and Medicare

Social Security Isn't Broken

The Deficit, the Debt, and the Grandchildren

What is Money?

- We are not on the gold standard
- But we think and act like we are
- Balanced budgets
- Balanced trade
- Federal trust funds and reserves

The P word

- There are three ways to spend with a gold standard.
- Tax financed
- Debt financed
- Money financed, aka 'Printing Money'
- The ratio of reserves to printed money was critical
- This is inapplicable with today's currency

Gold Standard Thinking

- Why did the Democrats cut Medicare?
- Why did the Democrats raise taxes?
- Why did the Democrats visit China?
- Why did the Democrats form the bipartisan committee to report back on ways to reduce the deficit?
- Why did the Democrats put Social Security and Medicare 'on the table?'

Gold Standard Thinking

- They think the Government has run out of money.
- They think Government spending is now limited by how much it can borrow from the likes of China, leaving that debt to our children to pay back.

Non Convertible Currency

- Taxes turn litter into money

Provisioning the Public Sector

- Command economies
- Selective command- the British Navy
- Today's monetary economies

Unemployment Fundamentals

- Unemployment is people looking for paid work
- Taxes create unemployment
- Govt. spending employs those unemployed
- Unemployment is the evidence that the budget deficit is too small
- Unemployment can always be eliminated with a fiscal adjustment

Monetary Operations

- The Federal Government neither has nor doesn't have dollars
- Government spending
- Taxing
- Deficit spending
- The National Debt

**WARNING- OVER SPENDING CAN
CAUSE INFLATION!!!**

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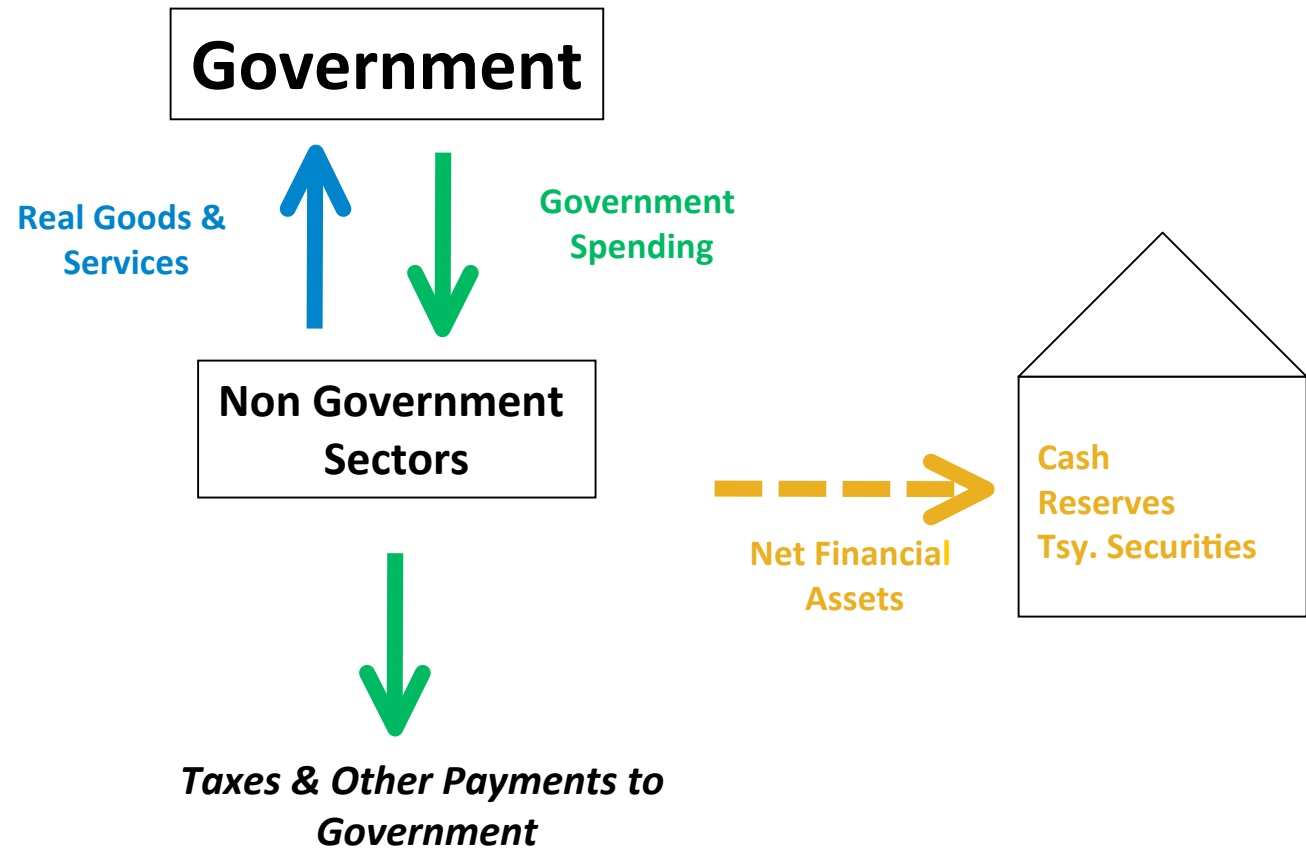
Debt Management

- US Treasury securities are savings accounts at the Federal Reserve Bank.
- Reserve accounts are checking accounts at the Federal Reserve Bank
- Cash is the same information written on a piece of paper

Monetary Savings

- The Federal Deficit =
Cash in circulation
- + Dollars in Fed checking accounts (Reserve accts)
- + Dollars in Fed savings accounts (Treasury Secs)

- All this equals the world's net savings of dollar financial assets.



Deficit Spending Adds to Our
Savings

Example:

Deficit Spending to pay a Consultant

(You are the only person in the economy)

- You have \$100 in your checking account
- You buy a new \$100 US Treasury Security
(this doesn't change your savings)
- Government pays you a \$100 consulting fee
- You now have the new Treasury securities
AND your \$100 back in your checking account
- And nothing is 'crowded out'

The Deficit Clock

- The deficit clock in NYC can and should be renamed the world dollar savings clock
- The numbers are exactly the same

Fiscal Sustainability Review

- Spending
- Taxing
- Borrowing
- There is no numerical limit
- Government can always make any payment of dollars it wants to make
- The risk is inflation and not solvency

Self Imposed Constraints

- Budget process
- Debt Ceilings
- No overdraft rule

Is Social Security Broken?

- What is the public purpose?
- What is the presumed problem?
- What is the real problem?

Public Purpose of Social Security

- Provision Seniors at a level that makes us proud to be Americans
- Collective provision vs. individual provision

What is the Presumed Problem?

- Are seniors living too well due to Social Security benefits?
- Are the opportunity costs too high?
- Is the trust fund a limiting factor?

The Real Problem is the Dependency Ratio

- The ratio of workers to retirees is the real problem, not the money.
- Mainstream economists agree the only real thing that will be useful 50 years from now is knowledge and education.
- Because we think it's a money problem we are cutting back and sacrificing today.
- Ironically, the first thing we cut is education.

More on Social Security

- The Trust fund is record keeping.
- Social Security contributions are regressive taxes that function to reduce take home pay and aggregate demand.
- Social Security payments are progressive distributions that add to take home pay and aggregate demand.

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What Happens if Social Security Checks get too high?

- Unemployment would get too low.
(whatever that means)
- The economy would grow too fast.
(whatever that means)
- Seniors would be living too high.
- Then the option to raise taxes or cut benefits might make sense.
- Not because the government doesn't have the money, but because the spending no longer makes sense.
- It's a political choice

Why are Social Security Cutbacks 'on the table?'

- Only one reason- our leaders don't understand the monetary system
- They don't know spending is not constrained by revenue.
- They think that to spend what we don't tax we have to borrow from the likes of China, for our grandchildren to pay back.
- It's all a tragic mistake of epic proportions.

What's Gone Wrong in the Eurozone?

- The UK, US, and Japan are NOT the next Greece
- Greece is NOT the issuer of the euro
- Greece has to have money in its account or its checks will bounce.
- Same with all the euro member nations
- The euro nations are revenue dependent like the US States, businesses, and households.

What's Wrong with the Euro Zone?

- They don't have credible bank deposit insurance.
- There is no credit worthy government entity to act counter cyclically to provide desired net financial assets.