light swing, ballad), old instruments (banjo, trumpets, baritone sax, stand-up bass), and display the old values of romance (not sex) and wit (not vulgarity).

The musicians who founded the band while at the University of North Carolina were fed up with gigs that required them to play the same tired rock night after night. They came together out of other bands because they loved the music of the 1920s and 1930s and found it superior to anything that followed. They did something no one else has done: they composed new music in those old styles. And it works, extremely well. Even brilliantly.

They've released two albums, "The Inevitable" in 1995 and "Hot" late last year, and both are a revelation. When you hear the first notes, you can't help but do a double take. The band clearly loves the music, more so than if they were merely recycling the standards. And the style evokes a better time, a pre-rock time, but it has a slight modern flair or edge that you can't quite place. The recordings are done with one big microphone and not "mixed" to the point where the spontaneity is drained.

Attending a Zippers concert is also an event. The band is usually dressed up in black tie, in open defiance of the grunge of rock. It gets better: the audience participates. One critic noted that in terms of dress, he couldn't tell the audience from the band. Everyone looked as if he had emerged from a time capsule.

The Zippers' lead singer is Katharine Whalen, who has a voice that can handle a variety of styles. She has more attitude than chops, but she always carries it off with charm and grace. And she has brought back styles and techniques that haven't been heard in years, like a Betty Boop routine or a Joe Stafford back-and-forth with the band. Again, the crucial difference between the Zippers and others is that their music is all new.

The Zippers are usually dressed up in black tie, in open defiance of the grunge of rock.

Where can you hear them? Not usually on the mainstream rock stations, which are still, for now, wedded to the old rock styles. They are on the alternative rock stations. I found out about them thanks to an always-hip couple in Atlanta. Our music tastes are as far apart as any people in the world. They like heavy metal; I like Rossini, but on the Zippers we all agree. They're the tops.

The song that's left the alternative stations and gotten some mainstream play (even on MTV) is "Hell" off their "Hot" CD. In a steady samba beat, the words run: "In the afterlife/you'll be headed for some serious strife. Now you make a scene all day/but tomorrow there'll be Hell to pay.... All the things you have to hide/will be revealed on the other side.... I used to think the idea was obsolete/Until I heard the Old Man tapping his feet."

Another great song, a twenties-style Dixie two step: "If it's good enough for Grandad/it's good enough for me/The way it was, that's the way it's got to be/He told me about the good times that he had/even when the times were sad/If they were good enough for Grandad/ they're good enough for me." Songwriter James Mathus, who hails from Mississippi, told an NPR interviewer than he wrote the song for his own Grandad, and that he was thrilled to be able to perform it for him sitting around the livingroom a year before he died.

These are all great sentiments for the post-rock epoch, and deeply symbolic of the repudiation of rock this music represents. It's all too much for the *New York Times*, which first took notice of the Squirrel Nut Zippers in its April 9, 1997, edition. They sneered at the song "Hell" as being about "the penalties for having too much fun."

Here's the *Times*'s explanation of the Zippers phenomenon: "After years of self-important guitars, anger, and angst, a collegiate crowd is now rediscovering more old-fashioned entertainments," but don't take this seriously; they are merely "occasions to dress up with a post-modern wink." Yet there's no wink, no irony, with the Zippers. As the *Times* was forced to admit, the band makes "audiences so happy that only a critic would carp about the actual music."

But carp the reviewer does, with this barbed charge. "There are bands in New Orleans playing for tips that could blow the Squirrel Nut Zippers off any stage."

Well, is it true? Musically and technically speaking, the answer is yes. But that begs the question. Why aren't these tip-earning bands doing what the Zippers are doing? Because the corruption of their musicians competes with the worst of rock's baseness. Like rock, modern jazz is deeply cynical, drug-soaked, and degraded.

The average jazz musician goes through life living off two music books, the "Fake Book" and the "Real Book." Page after page consists of a melody and chord changes, and their music consists of distorting and botching the melody and proceeding to twenty or thirty minutes of what they are really there to do: indulge themselves in solo improvisation.

They flatter themselves into thinking every riff that topples out their bell is printable music copy and a masterpiece. They fail to notice that in time, their improvisation becomes as predictable as the repertoire of good music they've devoted their lives to distorting and destroying. How many ways can they play, "All the Things You Are"? Fast, slow, in three, bossa, tonally, "outside" (off-key)—it's all the same to these guys and none of it means anything anyway.

There's a reason why—ever since the advent of bebop—that jazz, liquor, drugs, and lives that are falling apart have been bound up with each other. That's the way these people live. That's how the music tells them to live. That's what the music says to us. All we need to know about contemporary jazz culture is summed up in the smell of New Orleans bars: pot, spit, urine, vomit, and worse.

No, the Zippers have nothing in common with the burned-out jazz set. The Zippers hark back to a better time, but even more than that, they point us to a better musical future. The joy they inspire is not only generated by the notes they play, but also by the hopes they inspire. They have shown that it is possible to resist rock and rebuild popular music on an entirely different basis.

Bands like this lead us to believe—to know—that someday soon our torments will be over. Rock will become marginal. Only marginal people will listen to it.

Rock, the music of society's dregs and losers, was a tragic and evil chapter in the history of music, one loud, long, wrong note. As the Zippers would say, in the end, those who wrote it, sang it, and promoted it will have Hell to pay. RRR

The Ultimate Sellout

Llewellyn H. Rockwell, Jr.

Conservative and libertarian think tanks, in cahoots with the central government and Wall Street, are conspiring to enact the largest tax and debt increase in the history of the human race. They call it the "privatization" of Social Security.

Who wouldn't rather keep his own money instead of funding FDR's pyramid scheme? The kind of privatization that abolished taxes would be fabulous. But this is not what the Capitol Hill scamsters mean. Far from proposing to abolish Social Security, they want a system that keeps benefits flowing to current takers—otherwise the government's legitimacy would be undermined—while forcing current payers into a new "private" system.

But here's the problem: If the taxes paid by current payers are diverted to a new, ostensibly private system, where is the government going to get the money to pay the current takers, now enjoying the fruits of young people's labors? This is euphemistically called the "transition-costs" problem.

How much does it cost to get from here to there? It turns out that the "transition costs" amount to the largest increase in taxes and debt contemplated in the history of man! This is a universally admitted fact. For example, Larry Kotlikoff of Boston University has been snookering economists for a year into signing onto his "Personal Security System" plan. Most of the signers are from his own university, but they also include people like Jeffrey Sachs of Harvard and Anne Kreuger of Stanford.

His too is a "privatization" plan, but it takes patience to get to the key "transition" part, which reads as follows. "During the transition, Social Security retirement benefits will be financed by a federal retail sales tax.... Provisional calculations suggest that the sales tax would begin below 10 percent and would decline to a permanent level of roughly 2 percent within 40 years." But a 40-year 10 percent sales tax would be the gulag for American family finances. As you enter, you pass under a sign: Privatization Makes You Free.

Partners in Crime

But this tax and debt increase is not being pushed just by liberal policy wonks in Boston, but also by Capitol Hill conservatives and libertarians. Who, specifically? The National Center for Policy Analysis, the Heritage Foundation, the American Enterprise Institute, and the Cato Institute.

These think tanks claim that they want to protect the taxpayer from invasive government. Yet in this scheme, they have constructed a bailout plan that requires the government to loot the public on a much grander scale. And to what end? To funnel the money into an increasingly bubble-like stock market.

Wall Street loves the idea, of course, which is why so many blue-chip companies are handing out so much dough. They want to erect a new forced savings plan, funded by new taxes, on top of the present scheme, and they've paid millions to these think tanks to promote this "privatization." Of course, it's actually corporate welfare gone berserk, advocated by think tanks that on other days are holding press conferences to denounce corporate welfare.

Supply-Side Theft

What's the most anti-tax financial newspaper in the world? No hesitation, right? The *Wall Street Journal*. But it turns out to be only selectively anti-tax. Taxes that hit interest, dividends, and profits are terrible because they discourage wealth creation. Argument accepted. But what about the payroll tax, which is "flat" and instead of openly discouraging production, mainly steals from the middle-income family? It turns out that the *Journal* doesn't think these taxes are so bad after all.

In fact, the *Journal* endorsed a tax increase. But you had to get to the 1,000th word in its very long editorial (Jan. 8, 1997) to discover the crucial sentences. When we have "privatization," what about "those about to retire"? "Their benefits must be protected through new taxes." And there we have it: an editorial endorsement of the largest tax increase in human history from the most anti-tax newspaper around. It's remarkable that no one, to my knowledge, has commentated on this strange and dangerous editorial.

There's much more here than a mere policy dispute. Bitter words have been flying on this subject, and they've led to a deepening rift between the supposed free-market element of the right, which favors privatization (no more quotation marks) and the social conservatives, who are against it. It turns out, however, that the social conservatives are right on this one, which underscores the central *Triple R* point that the division between social and economic conservatism is essentially phony.

What irritates older Americans is the prospect of getting nothing out of a lifetime of tax slavery.

Bauer Steps Forward

The controversy burst onto the ideological scene in the January 23, 1997, *New York Times*, in an op-ed written by Gary Bauer, head of the Family Research Council and quintessential "family values" conservative who regards the economic agenda of the right as a diversion from the all-important cultural issues. How interesting, then, to consider his strong objections to the privatization of Social Security.

Bauer points out that replacing the pay-as-you-go system we now have with something different "would involve a long transition during which workers would have to continue to pay taxes" for their mom and dad while also ponying up for their own. His crucial point: "The only way to do this, assuming that current recipients would not be cut off abruptly, would be through colossal tax increases or enormous growth in Federal deficits."

We could cut off current recipients. But there are obvious problems with this idea. Older Americans have been looted for their entire lives through taxes and inflation, ripped off at every step, and even had their sons drafted and murdered by the government in its foreign wars. Are they bitter? Of course they are, although the average member of AARP doesn't share the pinko views of the leadership.

It's true that retired Americans are getting more than they paid into the system, but in their minds, the fiscal system is entirely fungible. What irritates older Americans is the prospect of getting nothing out of a lifetime of tax slavery. Thus the demand to keep Social Security as it is represents, in their minds, a simple matter of compensation for damage inflicted.

Bauer is right: if benefits aren't cut, tax increases are inevitable. (There is a way around this, which we'll get to.)

Bauer then spelled it all out, breaking the great taboo in conservative circles. He points out that the much heralded Advisory Council on Social Security, which met last year, suggested as a possible route to reform: requiring "a 20 percent increase in the present payroll tax for workers and employers, effective for the next 70 years." And, Bauer adds, it would require "the government to borrow an additional $7.2 trillion over the decades ahead." Another plan would require payroll tax rates to increase to 19.3 percent, "a whopping 26 percent increase."

His article concludes with a call for cutting payroll taxes "by 20 percent for workers and employees, with employees who benefit from that tax cut receiving a commensurate reduction in their future benefits." At first that may seem like a moderate proposal, and by *Triple R* standards it is. But consider that his split with his phony libertarian friends is based on his desire for a tax cut and their call for a tax *increase*. Just who's the libertarian here?

So despite many our differences with Bauer (for example, he echoes the Buchananite war whoops against China), he has done yeoman's work on this issue. If it hadn't been for him, only subscribers to the *Triple R* would have known the truth about the latest Beltway libertarian racket, namely that it increases government power. The irony is pointed: the social conservative has saved us from the tyranny of the supposed libertarians, even advocating a much freer economy than the one we have now. It's one example among many of how the supposed "social conservatives" are more libertarian than those who give themselves the label.

More Clinton Taxes

Now, alert readers didn't have to wait for Bauer to reveal the truth in the *New York Times*. All of this information had been available since the Clinton administration's Advisory Council report had come out. But you had to look to find it. Most of the news media described the Council as favoring some type of privatization plan.

Was it true? If so, miracle of miracles! A government commission comes out for abolishing the major government program of the last half century. But it wasn't true. Privatization was a full-blown fiscal scam that would bankrupt the American family.

The "social conservatives" are more libertarian than those who give themselves the label.

The Advisory Council advocated another tax-and-debt boondoggle similar to the Greenspan-Reagan 1983 bailout, exactly as Bauer spelled out. But in what respect did the Council's recommendations differ from those of the NCPA-Cato-AEI-Heritage nexus? Here is where matters get tricky. These organizations generally push for privatization without discussing the transition costs, for fear of being exposed as socialistic con artists.

Punditry Sleight-of-Hand

So what do you do, as a think tank, when a genuine government commission seems to echo your own proposals? Consider the case of Pete DuPont, one-time presidential candidate and now full-time think tank consultant. He made a name for himself back in 1988 by being the first to raise the subject of Social Security privatization on national television. Now he works as a Washington floater, lending his name to the highest bidding institution. Right now his calling card reads "National Center for Policy Analysis."

Now that his original program has been transmogrified by the Advisory Council into a full-scale socialist enterprise, what does he have to say? Of course: DuPont gave it his unqualified endorsement under the auspices of NCPA. The council members, he opined, "took a sober, non-ideological look at the financial underpinnings of the Social Security system and were willing to say that the emperor is not wearing any clothes" (*Washington Times*, Jan. 22, 1997). Although concluding that we need this kind of privatization, he nowhere mentions the taxes the Advisory Council so plainly recommended, and which, indeed, are necessitated by this "reform."

Then there's Alan W. Bock, the influential essayist at the *Orange County Register*. His piece on the Council (January 19) begins with enthusiasm. It "surely qualifies as good news that people–including a government commission appointed by the Clinton administration–are talking about fundamental changes" in the program. There must be "a sense of realism" at the "highest levels of government."

Does he mention taxes in his 2,000 word article? One time, midway through while discussing the second (moderate) proposal of the commission. But even here, he doesn't condemn the plot, but merely mentions it in the passive voice: "the payroll tax would be raised...." Yet when he gets to the third plan, the one libertarians are supposed to like, he drops all mentions of tax increases, even though this plan requires roughly the same tax hike, plus some $7.5 trillion in new debt.

Steve Forbes weighed in a month before the Council's report. Writing in the *Wall Street Journal* (Dec. 18, 1997), he rightly points out that "Washington-style 're-form' of Social Security has always meant raising taxes.... Taxes should not be boosted yet again." So what's his alternative? He wants to create a retirement IRA, but he doesn't provide enough details (e.g. mandatory or voluntary?) for us to know where he stands on the transition question. In fact, he never even raises the issue. Can someone give Steve Forbes a call and tell him the score before he stumbles into supporting history's largest tax increase?

Can someone give Steve Forbes a call and tell him the score before he stumbles into supporting history's largest tax increase?

Dan Mitchell of the Heritage Foundation has taken a consistent anti-tax stand. So where does he come down on the question of Social Security reform? Writing in the *Orange County Register* (March 23, 1997), he wants privatization, which he describes as "a way to escape the dilemma" of higher taxes or benefits cuts. It's not, of course, but Mitchell never mentions, much less discusses, the taxes implied in the privatization option.

Then he raises a familiar refrain. It worked in Chile, so why not here? It turns out that the Chile comparison is not at all apt. The liabilities in Chile's system were inflated away under left-wing Christian Democrats and then the Marxist Salvador Allende. What was left was paid out of a government surplus under free-market military strongman Augusto Pinochet. More importantly, under Pinochet, payroll taxes actually went *down*, reason enough to favor the program.

There is no point in comparing the U.S. and Chile, as any scholar who has read about this issue knows. Even Council Member Sylvester Schieber admits in the *American Economic Review* (May 1996) that "in the case of Chile, there was a relatively unique set of political and economic circumstances behind the reforms" that the U.S. does not enjoy.

Schieber's writings have at least been honest, if entirely wrongheaded. He wrote (with Carolyn Weaver of AEI) the third, i.e. "libertarian," plan for the Council. Discussing his ideas in the *Wall Street Journal* (January 8, 1997), Shieber waxes eloquent about the glories of his privatization scheme, then lowers the boom about the necessary "added financing."

"We advocated an explicit tax to finance the transition," he writes. "While we preferred a consumption tax for transition financing, a number of practical considerations led us to recommend a payroll tax increase instead." Well, cheers for honesty if not integrity. Schieber thinks people shouldn't be upset about a 20 percent increase in the payroll tax because "that tax would go away"—after 75 years, meaning when most kids now in elementary school will have died of old age!

Writing in *American Enterprise* (Jan.-Feb. 1997), Weaver also faces up to the transition problem, but coins an astounding new word to describe increased theft by government: "supplements."

In the same issue of this journal, David Henderson of Hoover condemns the idea of tax increases and proposes to let people drop out of the system altogether. Henderson was once tricked into supporting school vouchers by these same think tanks; he's since publicly repudiated them and sworn never to be taken in again. His position on Social Security reform shows he's sticking to his word. Even so, he should avoid lending credibility to the privatization ploy and call his program something else.

Finally, on the punditry front, recall that venerable magazine, the *Freeman*. Its April 1997 issue included an article on Social Security by Tad Wilson—identified only as a "freelance writer" but actually an associate of the Cato-affiliated Market Process Center. Unbeknownst to the free-market editors, Wilson snuck in a call for gargantuan tax increases.

"Protecting those near retirement," he writes, a moral and political necessity, would "generate transition costs of as much as $7 trillion." And since "no system can avoid paying high costs," the benefits of privatization "make it the best alternative available." In short, we've got the *Freeman* arguing that payroll tax increases are inevitable, so let's advocate them!

Americans for Tax Confusion

Peter Ferrara has long opposed big government, and he too has weighed in on the present controversy, this time on behalf of Grover Norquist's Americans for Tax Reform. In his study called "Power to the People," Ferrara doesn't explicitly advocate tax increases.

Instead, he claims we can keep the tax the same while still financing the massive new costs of the transition. How? Through supply-side economics gone wild. The new system of forced stock investment will cause such an explosion of economic growth that the deficit will plummet, new revenue will magically appear, and debts and liabilities will melt away.

Of course his economic assumptions—made through the year 2029!—are absurd, but even he recognizes that it won't be enough. So he suggests vastly increasing the government debt load.

Americans for Tax Reform ought to advocate the Henderson solution: let older Americans trade their claims on Social Security benefits for tax cuts. This would wipe out most of the present liability right away. Young people's taxes could be reduced and then eliminated altogether.

Why isn't that considered an option? 1) It provides no subsidy to Wall Street, 2) it would drastically reduce government revenue and power, and 3) it would leave us with no forced retirement system. In short, it's not respectable. But if we want respectability, we can always go to Brookings. Why are organizations like Americans for Tax Reform signing onto this dangerous plan? They can say they haven't advocated taxes, but such taxes are implied in their plan.

The Esoteric Doctrine

Now we come to the all-important Michael Tanner, Cato's top dog on Social Security. In an op-ed syndicated across the country, he gives rave reviews to the Advisory Council on grounds that it "represents an important breakthrough in the debate over Social Security reform."

You have to get to the end of the article to find the rub. Council members "are wrong to suggest financing the transition to the new system through a temporary [75 years!] 1.5 percent increase in the payroll tax. Far better would be using reductions in current government spending to fill the gap."

The ultimate deception is related to a study by Harvard economist Martin Feldstein.

Here's a classic Washington hedge. Lots of things are "far better" than other things. A Mercedes is "far better" than a clunker, but if you've got to get around, there may not be a choice. The fact is that the privatization program he supports necessitates much higher spending, and thus assumes a tax increase. Whether he explicitly endorses it—and even if he condemns it—is neither here nor there. If you've strapped a guy on the rack, you are morally culpable when someone else starts turning the crank.

As a matter of fact, Tanner is more than slightly friendly to the idea of tax increases—when talking to people in the know. He was interviewed by the *New York Times* (Feb. 18, 1997). Here's the paragraph on his views written by reporter Peter Passell.

"Mr. Tanner would require Uncle Sam to assume a substantial portion of the $3 trillion to $4 trillion (yes, trillion) in unfinanced benefits, with older people getting more than the young. And he would raise the money from unspecified Government savings or, as a last resort, from new taxes."

Last, first, who cares? When private 401k plans are gutted to pay for yet another bailout of the failing program, young workers will know who to blame: the supposed free marketeers in Washington who have sold their ideological heritage for a grant from Wall Street.

It's no good to say, we won't raise taxes; we'll cut the budget. For starters, the plan requires some $10 trillion to finance. Are there budget cuts that cover that cost? Sure, if the *Triple R* were running the show. But we'd cut the budget by that amount whether or not we were reforming Social Security. What these budget cutters have yet to explain is why they think Congress would cut $10 trillion (as versus raise taxes) to finance Social Security reform, but can't even cap spending otherwise.

Indeed, Cato has been playing it all very close to the chest, avoiding all mentions of the transition costs in its voluminous collected works on the subject (available on its web site). The longest and most authoritative study is "Dismantling the Pyramid: The Why and How of Privatizing Social Security" by Karl Borden of the University of Nebraska. In the course of 26 pages, he thoroughly covers the why.

But that of course is not what we are interested in. What about the how? For that you have to turn to the second to the last page, and we find that Borden has written these words: "it is really beyond the scope of this paper to provide for a smooth transition from the old system to a new." No call for taxes, but no explanation about how to pay for it. It also makes you wonder why you have slogged through 25 pages only to find he has no plan whatsoever.

The Feldstein Deception

The ultimate deception is related to a study by Harvard economist Martin Feldstein on behalf of the National Bureau of Economic Research, which is also favorably mentioned by Peter Ferrara and the *Wall Street Journal*. The deception was not in his original piece, published in *American Economic Review* (May 1996). "Each of the transition generations would pay more in a combination of taxes and mandatory saving than under the existing laws," he writes.

"During the transition," he continues, "a system of payroll taxes that varies by age could increase the number of individuals who are net gainers by assigning more of the transition tax burden to those who, because they are younger, would gain more from the opportunity to invest their retirement." In short, stick it to the young. They don't know any better. It's a bracing admission for a person usually (if incorrectly) associated with free-market advocacy.

How interesting, then, that on January 31, 1997, the Cato Institute released a slightly shorter version of this very study, this time entitled, "Privatizing Social Security: The $10 Trillion Opportunity." There is only one thing missing from the Cato version. You guessed: those very paragraphs just quoted or any other discussion of the transition. In this paper, Feldstein brushes off the question of transition, saying it can take place "without the necessity for either huge taxes increases or draconian benefit cuts." Well, "huge" is in the eye of the payer.

Bandow Enters the Ring

With so much invested in this scam, the privatizers were stung by the honesty of the Bauer article. That's when Doug Bandow—syndicated columnist and senior Cato employee—wrote for the *Wall Street Journal* (March 19, 1997). His thesis was nothing new: social conservatives don't have sufficient appreciation for the free market. They don't understand that freedom and good culture are complementary. Fine.

Bandow favors the high-tax Cato plan over the Bauer tax-cut plan and on libertarian grounds!

But Bandow's Exhibit A was none other than Bauer. Now, as we've pointed out, there is plenty on which to disagree with Bauer. He is a drug warrior, an Internet regulator, and a war hawk against China. So, on which issue does Bandow choose to criticize Bauer? That's right: Social Security. Bandow claimed that because Bauer opposes Cato's planned tax increases, that makes him a defender of Social Security, "which after all is just another welfare program."

Bandow then quotes Bauer from the *New York Times*: "why do we think the nation will be better off by forcing workers to put their money into stocks rather than, say, spending it on rearing children." We're supposed to see the self-evident evil of those words, yet Bauer has put his finger on the crux of the problem: taxes should not be raised to bail out Social Security, whether it's done in the name of privatization or not, and people should be able to choose how to spend or save their own money, and not be forced into a Wall Street scheme.

Looked at in context, Bauer's meaning is perfectly clear. That makes Bandow's *Journal* article just a hit piece. Moreover, it is a hit piece that favors the high-tax Cato plan over the Bauer tax-cut plan and on libertarian grounds!

The Moolah Factor

Wall Street started lobbying Washington in August 1996, expecting that privatization would bring an additional $125 billion into the markets per year. It would be the biggest bonanza ever—and it would come about through forced saving.

The lobbying arm is the Investment Company Institute, representing 5,000 mutual funds. According to the *Washington Post* (Sept. 20, 1996), privatization of Social Security is its top priority. As the *Post* points out, some of the biggest blue-chip companies are supporting the Cato plan to channel the most money possible to Wall Street.

(As of Jan. 1, 1997, Cato had received $2 million from these businesses to fund its Privatization Project, with much more to come. For a full-scale exposé of the connections, look at Trudy Lieberman's treatise in the *Nation* [Jan. 27, 1997].)

But ICI itself also favors a more "cautious" approach, diverting, say, 2 percent of national savings. Why cautious? Wall Street is concerned about something so obviously self-serving. In this the ICI is joined by

Merrill Lynch, the Securities Industry Association, and the National Association of Manufacturers.

All of this recalls the origins of Social Security. As a Mises Institute article by Murray Rothbard argues in the new *Journal of Libertarian Studies* (vol. 12, no. 2: $10 postpaid from the *Triple R* or free with a one year-renewal)–Social Security was backed by big business as a way of imposing taxes on smaller companies to stymie potential competition. These larger companies already had to pay pensions; why not universalize pensions and stick it to the little firms?

Thus it was Wall Street–and not widows and orphans–that gave us Social Security in the first place. Now it's Wall Street that wants to raise our taxes to fund a massive infusion of cash. It may not be the scam of the century, but it's close to it.

One lobby that has yet to weigh in on the subject is small business–represented by the National Federation of Independent Business–that will find its tax liability on employees growing ever higher. Why haven't we heard from NFIB yet? The main problem is a lack of information. Many have been confused by the propaganda, and don't know that privatization is merely a fancy word for a full-scale bailout.

Why Privatization?

One objection frequently raised to these criticisms is that, while the plan for privatization may not be perfect, it represents a step in the right direction, at least rhetorically. Ten years ago, would anybody have been talking about privatizing the largest single government program? Thus, in opposing this, aren't we really making the perfect the enemy of the good?

But who demands the perfect? We are always happy to support anything that lessens the burden of government. Thus we might want to eliminate 100 percent of taxes, but would we be pleased to see a 1 percent tax cut? Of course.

But Social Security privatization does not fall into this category. The government will be taking more of our money after it is instituted, and therefore it must be opposed on grounds on moral necessity. Supporting it means supporting more theft and a larger welfare state.

But, then, what about the point about rhetoric? It's exactly backwards. As the government becomes more and more frantic with the unraveling of the welfare state, we can expect it to appropriate our language and our ideas to its own ends. It is a particularly damaging form of lie that we must oppose root and branch, for the cause of truth, and if we are to have any credibility with the people. This sort of lying is precisely what the privatization trick is all about. Writing in the *American Economic Review* (May 1996), Edward Gramlisch, chairman of the Advisory Council, said the purpose is to use the political appeal of privatization to make otherwise unpalatable tax increases acceptable to the masses.

The Path to Reform

The way to dismantle Social Security is perfectly obvious to anyone who not steeped in statist ideology. It is the solution hinted at by Henderson. Current recipients need to be bought off through tax cuts. I advocate exempting people over 65 from all federal taxes–income, capital gains, excise, death, etc.–in return for their benefits. A tax-benefit swap would eliminate more than half the system's liabilities right away. Everyone's taxes could be then cut.

Such a proposal is the only one that deserves the name privatization. But who cares about the name? Let the statists have it. Real reformers will adhere to a tried and true rule: first, do no harm. Don't increase debt, don't increase taxes, don't increase spending.

That's why doing nothing is far better than privatizing. It's true the system will get more and more out of whack, but that will also make it harder to bail out. And who knows? *Triple R* ideas may continue to gain in popularity as the leviathan state continues to leak legitimacy in the years ahead.

Of course, such a course is far from being best. There is the tax-benefit swap, and even within the present system, there is the Bauer tax cut.

Bauer's 20 percent cut would be a good step in the right direction. The opposition is the government itself, of course, and also the legion of official conservatives and libertarians. Don't they have some explaining to do to their grass roots? RRR

Obsolete Labels

Paul Gottfried

For some time now an argument has been made, with which I happen to agree, that traditional political labels are obsolete. The terms "conservative" and "liberal" have been