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GAINESVILLE FL. 32605
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Monday, January 13, 1992

To: C-SPAN

Having watched this morning's journalist "call-in" program, Mrs. Murphy, I believe, and Mr. Lambro, and being unable to get through by phone, I take occasion to express again in writing a gripe about which I have written and called-in before.

This concerns the lack of knowledge on the part of the guests, usually journalists, of matters on which they purport to speak authoritatively. I was able to express myself to Brian Lamb about a year ago regarding the Iraq-Kuwait situation and much misinformation being spread about killing of babies in incubators and such, which is now well recognized as having been pure war propaganda.

Now the misinformation relates to the economy and taxes. Today, Mr. Lambro, who is quite articulate, glib might be a better term, was talking about the desirability of a cut in capital gains taxes. He argued such a cut would benefit "middle class" taxpayers, citing the case of people approaching retirement with a home they might wish to sell. Evidently Mr. Lambro is woefully uninformed in that persons over 55 can elect to exclude $125,000 of gain on sale of their residence from any income tax. This is in addition to the general principal residence "rollover" provision, available to all taxpayers which allows an election to limit taxable gain to that amount of net proceeds received on sale ~~##~~ not reinvested in another residence.

Moreover, Mr. Lambro is uninformed as to tax rates. The top marginal rate does not apply to

-OVERlong term capital gains. That rate is a maximum of 28%. He was throwing around much higher rates.

I realize Mr. Landers is an ideologue and isn't much concerned about whether what he says is baseless. For example, he referred to the substantial increase in Federal revenues during the Reagan era as attributable to income tax reduction which stimulated the economy. Any informed person who has taken the trouble to read relevant analyses understands that one of the principal stimulants to the economy was the massive deficits in the Federal budgets during the '80s; this used to be called "pump priming." Huge defense outlays was one of the principal elements. Also, although income taxes were cut (my own by roughly 1/3 of what they would have been had the law stayed as it was before the Reagan era, saving me some [redacted]), employment taxes, so-called FICA taxes, to fund social security and Medicare, were raised substantially contributing substantially to the increase in Federal revenues. We also experienced a substantial growth in population.

I write this as a plea to try to have guests who are thoughtful and informed about what they say. I believe it a disservice to listeners to invite guests who obviously don't measure up. The misinformation of many callers is understandable. C-SPAN cannot control that. But it can select guest journalists who have a modicum of understanding of those things about which they purport to have knowledge.

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[redacted]
Gainesville FL 32605
[redacted] Wednesday, Jan. 14, 1992

To: Brian Lamb

Couldn't get through to Mr. Thomas to correct his obvious mis-understanding of the Social Security system. Several callers did try to correct him but not done as effectively as could have been done.

First, his glib assertion that retirees have received back their contributions is just plain wrong. I have been receiving benefits since 1988 probably at the maximum amount, about [redacted] That doesn't remotely add up to the total amounts paid by me and, when I was an employee, by my employer, and solely by me when I was self-employed as a partner in a law firm plus, and this is important, the interest earned by investing those contributions in U.S. government bonds.

This leads to the second point of Mr. Thomas misunderstanding; and may I be so arrogant as to explain for your benefit how the system works. I offer this because you put the question directly to him and he gave a most confusing answer.

This term "trust fund" is the source of the confusion. Social Security contributions, called FICA taxes or employment taxes, are paid to the U.S. Treasury like any other taxes. To the extent not needed to pay Social Security benefits currently payable, which include retirement benefits, Medicare benefits, payments for children under 18 years of age of deceased previous contributors and some benefits for persons having virtually no income, the collections are invested in
—OVER—

U.S. government bonds. This is required by law. It is the situation today and has been that way for a number of years. In effect, the U.S. government "borrows" the money just as it does when it sells bonds, notes and bills to any other investor in U.S. government securities whether it be banks, investment funds, individuals or any investor. It is these "borrowings" that constitute the so-called "trust fund".

Obviously, these "borrowings" then are used by the government as part of its general revenues. This means that the "trust fund" is not sitting in a bank somewhere. It has been spent and future Social Security contributions will be used, in effect, to pay back these "borrowings". Probably this never will happen.

The situation is really no different from a large number of private pension systems. As the employer makes contributions whether to an insurance company, a bank or some kind of trustee, they are used to pay pensions to retired employees and the excess is invested. It is expected that such investments will earn enough, together with the fund and future contributions, to pay benefits to all employees when they retire. I'm sure that's the way the C-SPAN retirement plan functions.

The problem arises when the plan is underfunded and the employer goes "belly-up". The LTV situation is one of the best known cases of this. It is not unlike the case when an insurance company, having sold annuity and insurance policies, then invests unwisely and is put into bankruptcy. The current Executive Life situation in California where too much was put into "junk bonds", and probably bad real estate loans, is the best current case in point. People lose a substantial part or all of their anticipated retirement benefits.

The Social Security system at one time was facing that problem. I believe it was the so-called Greenspan (Alan Greenspan) Commission that studied the problem and recommended the present funding system requiring increasing percentage contributions and increasing levels of income on which contributions must be made. I believe it currently is over 7% payable by both employee and employer on something over $50,000 of income. These, too, will surely increase. But because of these changes contributions now are greater than benefits currently paid out, thus creating the "trust fund."

What Senator Moynihan and others complain about is the change made several years back to have a "unified U.S. government budget." The effect was to disguise the size of the deficits by treating excess Social Security contributions like any other tax collections rather than as "borrowings." I agree this was fiscal legerdemain imposed by the majorities in Congress and the Reagan administration to cover up their misguided fiscal policies. Moynihan really wanted to give a tax break to lower income people, i.e. earning less than, say, $51,000, and likewise to their employers so he used the "trust fund" argument as a persuasive way of making his point. But no one knowledgable about this thought there was some "fund"

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sitting idly by from which monies could be paid back. By reducing Social Security contributions the U.S. Government would just have to borrow from other sources or cut expenditures, which is expecting the impossible.

Incidentally, Brian, the outrageous escalation in Medicare costs is going to put a continually increasing burden on this "trust fund." That might be a good topic to do on C-SPAN. [redacted] I saw much of what goes on in building up medical costs. Many things done are unconscionable. Over and above outright fraud, and that will always be with us human beings being what they are, things are done to increase, in effect, the profitability of the health care business.

Here's an example which I believe, most people do not understand. A hospital receives a large donation, or has a fund raising drive to build new or update existing facilities. The effect is to increase future costs of care since these expenditures are entered as assets on the hospitals' balance sheet and then depreciated just like a business. The result, higher hospital charges even though the cost was paid for by charitable contributions. Possibly the situation is different today. I doubt it!

Keep up the good work!

Sincerely,

[redacted]

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