

# Conservative view of privatizing social security dallin lund

[Law](#), [Security](#)



FICA, you see it being taken from every paycheck you get. But what really is it? According to Investopedia. com “ The Federal Insurance Contributions Act (FICA) is a U. S. law that creates a payroll tax requiring a deduction from the paychecks of employees as well as a contribution from employers to fund the Social Security and Medicare programs. ” This tax funds two programs, Social Security and Medicare.

The tax is not split equally, Social Security receives 6. 2% while Medicare receives 1. 45%. Your employer also funds these programs too. President Harry Truman, in 1948 said this regarding the Social Security program, “ In our own country, the obligation of the Federal Government in this respect has been recognized by the establishment of our Social Security system. The passage of the Social Security Act in 1935 marked a great advance in our concept of the means by which our citizens, through their Government, can provide against common economic risks. ” These programs were designed with great ideas and a good purpose, but over time they have not been quite as good as was originally planned. According to conservatives these programs need to change fast if they are a long-term solution. The first reason is that there are problems within the Social Security Administration and that the trust fund is running out of money to give people. The second reason is that the life expectancy is increasing but the age of retirement is not keeping up. The last reason why conservatives want to privatize Social Security is that if you invest in the stock market instead of putting money in the Social Security trust fund you can make exponentially bigger returns. Finally, this essay will discuss the main reasons why liberals do not agree

with the conservative point of view. After reading this paper you will understand why the conservatives believe what they believe.

This program, great as it was, has its flaws. “ Social Security is a major contributor to our current debt problem, It’s the largest federal program. Twenty-five cents of every dollar the federal government spends is on Social Security — and it is growing. ” (CQ) There are a lot of problems with how the current system is running, such as contributing to our national debt as stated previous. Another problem is there is a lot of fraud in the current system. Sen. Ron Johnson, stated, “ It is incredible that the Social Security Administration in 2015 does not have the technical sophistication to ensure that people they know to be deceased are actually noted as dead. This problem has serious consequences. ” (CQ) There is no good system in place to avoid situations such as kids claiming benefits for deceased parents. A report published by the “ Social Security Administration’s Office of the Inspector General identified about 6. 5 million Social Security number holders aged 112 or older — even though just 35 people worldwide were that old. ” (CQ) Conservatives believe that if we could eliminate a lot of the fraud and waste, that would help the program succeed even more. Another problem that bothers conservatives is that they feel like the budget has the mindset of “ steal from Peter to pay Paul. ” “ In 2015, when the disability trust fund was down had only about a year’s worth of cash, Congress took money from the Social Security retirement trust fund to cover the shortfall” (CQ)

This is not the first time that money had been taken from the trust fund to cover other shortfalls but the trust fund is already low. Conservatives believe that “ In 2034, the trust fund assets would be depleted; all Treasury securities would be redeemed. Taxes coming in from workers and employers would be sufficient to pay 77 percent of the benefits promised under current law. ” (NASI) Could you imagine paying all your life and then finally looking at becoming retired, but then realizing that you can not because the government does not have the money for you to retire? Using the free tool on the website CRFB. com with the birth year of 1995, it says that you will lose \$177, 810. Another thing that conservatives want, is to increase the minimum age requirement to start receiving benefits. In 1935 when the program was started the life expectancy was 77. 5 years old. In 2016 that number had grown to 88. 7 years for women and 83. 2 years for men.

Projected numbers for 2030 put women at about 89. 6 for women and 84. 2 years old. (NASI) In 2015 62. 2% of the United States population was between eighteen and sixty-four years old(the workforce). That number is projected to drop to 57. 5% of the population is in working ages. This number is just projected to drop in 2060, down to 56. 7%. While the eligible Social Security residents was 14. 9% of the population in 2015. (CQ) However, that number is projected to jump up to 21. 4 in 2035 and it keep increasing. But most people are still retiring at sixty-five or even sixty-seven. In a debate in 2016, conservative Marco Rubio said, “ So what it [Social Security] will require is people younger, like myself, people that are 30 years away from retirement, to accept that our Social Security is going to work differently

than it did for my parents. For example, instead of retiring at 67 the way I'm supposed to retire, I'd have to retire at 68. " Conservatives believe that along with privatizing Social Security, the minimum age for benefits should increase to match a longer living population. " A person who invested \$100 in the stock market in 1935, when Social Security was created, would likely have more than \$200, 000 today. " (CQ) That is a huge gain, much bigger than you would ever receive with the traditional Social Security program that we have currently. This is another reason why conservatives want to privatize Social Security. They want to use the 6. 2% tax that you contribute along with the 6. 2% that your employer contributes. To invest in Wall Street. " The stock market has delivered average earnings of more than 10 percent per year (compounded, including interest) over the last 80 years.

The Treasury bonds that the Social Security trust fund invests in generally return much less than half of that. " (CQ) But there are differing opinions on where we should invest the whole amount or only part of it. After stocks crash, like the one we saw in 2008, people don't trust the stock market as their only source of retirement funds. But still some people believe in letting " workers younger than 55 to divert up to 6. 2 percent of their FICA payroll taxes into their own private retirement accounts, while agreeing to forgo future Social Security benefits. The other 6. 2 percent would go into financing the trust fund during a transition period away from the traditional system. " (CQ) This would help with getting the higher return rates but also pay for the liabilities and the current payouts needed for the retiring and disabled. Something also that conservatives have suggested is having a

default fund. This is a fund that when people don't want too or don't feel comfortable choosing where their money is getting invested that the government has a fund that chooses their investments for them. " Among 401(k) plans in the United States, default funds have tended to be conservative, with some workers being placed in a low-risk, low-return fund that may not be the best choice over the course of their careers because it ultimately leads to relatively low retirement. " (AARP) In conclusion, conservatives want people to take risks to potentially get the big returns that they can receive with private investments.

Both conservatives and liberals mostly agree that the current laws and regulations regarding Social Security need to be changed but liberals don't believe that they need to be changed as much as to go privatized. Liberals believe that if the government were to privatize Social Security, either the current workforce would need to contribute more to pay off the liabilities or the program has to borrow money. (Brookings) They also claim that Social Security is in fact a good and needed program to help people with a steady income. " For over 20 percent of retirees, Social Security is their only source of income. Without Social Security, over 40 percent of the elderly would fall into poverty. Social Security provides a sound, basic income that lasts as long as you live. " (NCPSSM) They argue that without this program many of our senior citizens would fall below the poverty line and not have what they need. Another problem comes from when retiree's retiree during a so called " boom or bust". " During the 2008 financial crisis, the three main stock market indexes all dropped precipitously: the Dow Jones Industrial Average

fell by 33.8%, the S&P 500 dropped by 38.5%, and the NASDAQ fell 40.5%. Due to the “boom and bust” cycles of the market, those who retire during an economic downturn would be significantly worse off than those who retire during a boom.” (procon) This is a huge reason why the liberals do not want the system to become privatized. Could you imagine paying all your life, then you retire, only to not get very much because the stock market is bad. For these reasons’ liberals do not want Social Security privatized.

What should we do about the Social Security crisis? The conservatives believe that they should privatize Social Security. But the liberals do not believe that this is the correct path. They believe that privatizing Social Security would bring more taxes and that during a recession the benefits would not be paid. Even with taking in account these concerns the conservatives believe that privatizing will be the best plan. First, to fix the problem we also have to worry about the fraud and waste exists within the program. Next, Social Security will run out of money in around 2030. So, worrying about a recession won’t be an issue because the trust fund will be out of money. Another reason why privatizing Social Security is a good idea is because people are living longer and there are more people living in general. The last idea is that when you privatize Social Security you can see returns of up to 5% more than you would have seen in the tradition Social Security program. This may not seem like a lot but over a lifetime of earnings this number can turn into a lot more retirement savings.