

# [Argumentative essay on should the social security system be privatized](https://assignbuster.com/argumentative-essay-on-should-the-social-security-system-be-privatized/)

[Law](https://assignbuster.com/essay-subjects/law/), [Security](https://assignbuster.com/essay-subjects/law/security/)

## Should the Social Security System be privatized?

Privatization of the social security system is a vital undertaking that will positively affect all the citizens, especially in their future lives. Some individuals are opposed to this move due to various reasons. However, the positive effects resulting from privatization will evidently be more and weighty as compared to the negatives. The social security system came into existence in 1935. At this time, the Great Depression was at its peak. The inception of the system was to help in providing a substantially subsistence salary for the elderly population of the country. The system uses paychecks and salaries of the current productive workforce in paying off the elders’ income.

The success of the system in previous years was greatly influenced by the high numbers of children born. It is a time where baby boom was a fashion. With this advantage, the social security system began running a surplus of financial resources. However, demographics that were highly beneficial and favorable to the system will soon change course. This is because the generation that had produced so many children will start retiring at constant high rate (Borgmann, 2010, p. 68). Further, the American citizens are generally inclined to live longer than in the past according to the current statistics. The implication of this is that the benefits are being paid out more than they are being received. This is a serious implication. Experts have indicated that social security will start running a deficit in the coming years, and wholly go bankrupt in about 30 years (Friedman, Shoven & Aaron, 1999, p. 13). This is where the adequate solution of privatization comes to play. Privatization is indeed the only solution to saving this noble undertaking from the shame of bankruptcy and collapse.

It is evident that the biggest beneficiary of the social security system being privatized would be the United States. The positive effects of privatization would be increased through diversified investment in the private enterprise. This process can be in form of stock or bonds. Either way, the end result is that there would be the vital creation of more economic opportunities and consequently a projection of growth in the domestic economy. This factor may also contribute to higher productivity with the effect of reducing the levels of inflation, a process that would help the beneficial retirees save more on their money.

Evidently, privatization would also have a notable effect on the financial markets. The stock exchange would be one sector that would be positively affected. The younger population would probably invest more on their contributions in the stock exchange. Increased demand would then propel the stock prices further. This would have a general positive effect to the system and prevent its demise. Further, the investment of some of these funds in bonds and money market funds would further lift the general state of the economy.

The current social security system has failed workers who have had their lives cut short due to certain reasons. This has the effect of not allowing the deceased person, or their immediate family to enjoy the benefits of their hard work and contribution to the social security system. With privatization, and consequently creation of personal accounts, the option of bequeathing the accrued financial assets to deserved heirs upon death, will be provided.

In the past, the government has inappropriately allocated funds meant for this noble undertaking to other duties other than the basic one. Diversion of these funds by the government exposes numerous citizens to the risks of not having their beneficial funds. However, with privatization, and keeping of the contributed money in private accounts, diverting of funds for other purposes other than those provided for by the constitution would be avoided. Safety and assurance would not only be enhanced, but also guaranteed.

However, there are also challenges and factors that tend to discourage privatization of the Social Security. For instance, it is evident that the cost of transition to privatization would be enormous. Setting up of new private accounts with the paying off of current retirees still on course would prove a very daunting economic task. Experts estimate that the transition cost would be close to $ 2 trillion (Friedman, Shoven & Aaron, 1999, p. 42). This factor therefore tends to counter the importance of privatizing the Social Security system. However, the diverse economic and social gains of privatizing the Social Security system in the long run are numerous as seen in the preceding paragraphs. With these factors in mind, the government would not be undertaking a wrong move. The effects and costs of not privatizing this institution in the future would be bigger and dire than the $ 2 trillion. The government should therefore take the sacrifice now in order to avoid the dire future consequences of not doing so currently.

Another disadvantage of privatizing the Social Security system is that individuals would make inappropriate investment decisions over their personalized accounts. This is possible considering that many people are not experts in the financial fields. However, the fact that the persons can be taught on how to diversify their investment cannot be refuted. Therefore, this factor holds very little strength in negating privatization of the Social Security system.

Evidently, privatization of the Social Security system would be advantageous for not only the government, but also to the individual citizens. It is therefore upon the government to consider taking this vital step before it is too late.

## REFERENCES

Borgmann, C. H. (2010). Social Security, Demographics, and Risk (Population Economics).
New Jersey: Springer.
Friedman, M. B., Shoven, J. B. & Aaron, H. J. (1999). Should the United States Privatize Social
Security? Massachusetts: The MIT Press.