Economic problems of us

Economics

Most of the problems of the United States are related to the economy. One of the major issues facing the country today is social security. The United States was one of the last major industrialized nations to establish a social security system. In 1911, Wisconsin passed the first state workers compensation law to be held constitutional. At that time, most Americans believed the government should not have care for the aged, disabled or needy. But such attitudes changed during theGreat Depressionin the 1930's. In 1935, Congress passed the Social Security Act.

This aw became the basis of the U. S. social insurance system. It provided cash benefits to only retired workers in commerce or industry. In 1939, Congress amended the act benefit and dependent children of retired workers and widows and children of deceased workers. In 1950, the act began to cover many farm and domestic workers, non professional self employed workers, and many state and municipal employees. Coverage became nearly universal in 1956, when lawyers and other professional workers came under the system.

Social security is a government program that helps workers and retired orkers and their families achieve a degree of economic security. Social security also called social insurance (Robertson p. 33), provides cash payments to help replace income lost as a result of retirement, unemployment, disability, or death. The program also helps pay the cost of medical care for people age 65 or older and for some disabled workers. About one-sixth of the people in the United States receive social security benefits. People become eligible to receive benefits by working in a certain period in a job covered by social security.

Employers and workersfinancethe program through payroll taxes. Participation in the social security system is required for about 95percent of all U. S. workers. Social security differs from public assistance. Social security paysbenefits to individuals, and their families, largely on the basis of work histories. Public assistance, or welfare, aids the needy, regardless of their work records. All industrialized countries as well as many developing nations have a social security system. The social security program in the United states has three main parts.

They are (1) old-aged, survivors, disability, and hospital insurance (OASDHI), (2) unemployment insurance; and (3) workers' compensation. This tax was to be taken from the payrolls of the nation's employers and employees. The government felt that, like unemployment benefits, the social security should be financed by those who got the greatest benefit, those who worked, and were liable to need those benefits in the A plan that would affect those only who had paid such a tax for a number of years would have done those who were currently suffering under theDepressionno good at all.

As a result, the social security plan began paying out benefits almost immediately to those who had been etired, or elderly and out of work, and who were unable, primarily because of the depressed economic conditions, to retire comfortably. In this way, the government was able to accomplish two objectives: first, it helped the economy pull out of the depression, by providing a means by which old people could support themselves and, by buying goods and services, support others in the community ; and second, it showed the younger workers of that time that they no longer had to fear living out their retirement years in fear ofpoverty.

Therefore, the social security payroll tax has been used to provide enefits to those who otherwise would have little means of support, and as of this writing, there has never been a year when Social Security benefits were not paid due to lack of Social Security income. (Boskinp. 122) Social Security benefits increased 142% in the period between 1950-1972. not only the elderly, but many of the survivers, the widows and children, of those who paid into the Social Security system, have received social security checks. These checks have paid for thefoodshelters, and in many instances the collegeeducationof the recipients.

Unlike private insurance firms, the United States Government does not have to worry about financialfailure. Government bonds are considered the safest investmentmoneycan buy-so safe, they are considered " risk free" by many financial scholars. (Stein p. 198) The ability of the United States Government to raise money to meet the requirements of the social security should be no more in doubt than the governments ability to finance the national defense, the housing programs, the State Department, or any of the other activities that the federal governmentgets involved in.

By paying out benefits equally to all participate in Social Security- that is by not relying so heavily on total payments in making the decision to pay out benefits, the system is able to pay benefits to people who otherwise may not be able to afford an insurance program that would provide them with as much protection. One of the main reasons for the government's involvement in this program, is its ability and its desire to provide insurance benefits or the poor and widowed, who under the private market, might not be able to acquire the insurance to continue on a financially steady course.

The government, then, is in a totally unique position to pay outbenefits that would be out of the reach of many American families. Another great advantage of this system, is the ability of the government to adjust the benefits for the effects of inflation(Robertson p. 134) Private insurance plans are totally unable to adjust for the effects of inflation with complete accuracy. In order for an insurance company to make this adjustment, they would have to be able to see forty-five years into the future, with twenty-twenty vision.

When a private pensionplan currently insures the twenty-year-old worker, it can only guarantee a fixed income when the worker reaches sixty-five and a fixed income is a prime victim of inflation (Robertson p. 332) In order to adjust for that inflation, the private insurance firm would have to be able to predict what the inflation rate will be from the moment the worker is insured until the day he dies, and then make the complexadjustments necessary to reflect this in the pension plan. An inflation estimate that is too small will result in the erosion of the workers retirement benefits.

Because the government, unlike the private insurance firm, can guarantee that it will exist well into the future, and will have the continued income of the Social Security tax to draw upon, it can make on-the-spot adjustments for changes in the inflation rate. Some adjustments, in fact, have been automatic in the recent years, therefore relieving the pensioners of the periodic worry of whether this years benefits would be adjusted, or whether the level of payments would remain stable, thereby, relative to the cost of living, making them poorer that ever before(Stein p.).

In the face of the government's ability to make those necessary adjustments and to continually finance the Social Security program, many opponents of the system argue that the government programs are driving out the private insurance industry. The statistics remain otherwise. The social security tax is one of the fewest taxes in the United States, and the only federal tax in the country, that is given for a specific purpose.

All other taxes are put into another fund, so that welfare programs, defense, pace projects, and the other categories of government spending are all financed from one giant, uncategorized bowl of tax revenues(boskin p. 62). When the Social Security system was first established, it was felt that a direct payroll tax, based on the pay of the worker and paid both by employer and employee, would be the fairest way for the people that were currently working to pay benefits to those who weren't working, as well as to provide for some future requirements and disabilities.

Therefore, a specially constructed payroll tax was used to fund the program. By measuring the amount taken in by the tax to the amount, not only that is taken out, but to the amount that will be taken out in future years, opponents of the Social security system make the case that the system will be unable to keep itself in such a manner indefinitely. And, if Social Security were a private insurance program, it wouldn't. But the fact is that Social Security is not a private program. it is funded by the government.

Further, the government is in a unique position to change the laws of commerce and contract to adjust the system, making it more responsive to the needs of the retired, which, in turn, would reduce their need for the

Social Security benefits. For example, the United states Government should raise the mandatory retirement age. By raising the age to sixty-eight, the Social Security System could delay paying out benefits for several years to thousands of people, saving the system a significant amount of money in benefits. For these reasons, the government is in a position which cannot be compared to private industry.

In this sense, looking at social security as an insurance program and comparing it to other insurance programs in the private system could easily give the impression that the system is gong bankrupt, when in the reality it isn't. The thing to keep in mind about the Social Security system, then, is this: the system itself is in no fundamental danger of collapse. There is only temporary, cash flow situation that must be carefully looked at. The federal government pays out 4. 5 billion more in Social Security benefits as it collects in taxes every year.

In fact, $4. 5 billion is a small price, compared to the other programs the federal government now finances from general revenue. Besides tapping the general revenue fund and raising the retirement limit to 68 or even 70, the government has the option of raising the Social Security tax or even reducing the benefits slightly. The government has so many options with regard to financing the benefits that the question becomes of the cash management, not quite as significant as the huge deficits that the Social Security has been accused of having.

The government is already under way to help alleviate this cash flow problem. Public officials have debated which of the various ways would help best serve the public interest, and legislative action has been taken that would ultimately result of the Social Security system to a positive cash base. This shift would provide the workers of America with the same benefits they have been guaranteed since 1935- and have been paid, and expanded ever since.

The social security system has withstood forty years of changing economic conditions and greater concern of public welfare. What would replace the system, if the critics had their way? The social security system has saved an untold number of people from disaster throughout many years. Many of the nations old people- some as young as sixty-two, a few over a hundred, live from Social Security paycheck to Social security paycheck, with this government program as their livelihood.