

Social security



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Social security, created in 1935, is the most costly item in the federal budget. The program provides old age, survivors and disability insurance to a healthy portion of Americans. Workers and their employers fund the system by each paying payroll taxes. The Internal Revenue Service collects the taxes and deposits the money in government-administrated accounts known as the Old Age and Survivors and Disability Insurance Trust Funds(OASDI). The payroll tax revenues are used to pay benefits to those people currently collecting Social Security pensions.

Social Security taxes also pay for Medicare, the national health program for the elderly. The huge problem with the current situation facing Social Security is the increasing deduction of workers in the work force paying for workers retired. Due to the large number of aging baby boomers, American 65 and older are the fastest-growing segment of the population. The population growth of Americans age 65 and older is 112% in the years between 1995 and 2040. The population growth in age 20-64 is 24%. The population growth in ages under 20, is 5%.

What these numbers essentially represent is a cause problem with age differences in the future. Soon, less workers will be in the job force trying to supply more retirees with Social Security. Currently, many ideas have been juggled around trying to find a sound and reasonable way to resolve this problem. Granted, the problem will not happen overnight, but rather over a long arduous duration of time. The question first arises, Can the existing system survive without major reforms? The early designers of Social Security and many Democrats are baffled at the recent proposals to change Social Security.

Most believe that Social Security is still able to provide a safety net for retirees and their survivors if minor adjustments are made. Occasionally raising payroll taxes or recalculating the way benefits are paid out. Some Democrats look at major reform as a way of pitting war between generations. They stand on common beliefs that Social Security has worked for over 60 years by providing a steady stream of monthly payments that beneficiaries can rely on. Also, it has helped lift millions of seniors out of poverty.

Democrats also criticize the Grand Old Party for playing with the facts to distort them into the Republican favor. Now the GOP is attempting to position itself as the defender of Social Security. Republican appropriators have been trying every fiscal trick in their book, plus some previously unseen, as they attempt to pass the 13 fiscal year 2000 appropriations bills without touching the part of the surplus generated by Social Security, which is currently taking in more in taxes than it pays out in benefits(www.socialsecurity.com).

The author of this paper cannot see any rhyme or reason to this argument. Facts about the future, although not concrete due to birth and death rates, provide a high percentage estimation of how population growth will affect Social Security. To disregard certain evidence is preposterous at best. This argument about past history holds some water, but has many errors. The future cannot be gauged solely upon inductive thinking. Thoughts of the retirements age being raised is a strong case to be made. The age has been raised before, so raising the bar is nothing new.

In 1983, the National Commission on Social Security Reform, headed by current Federal Reserve Board Chairman Alan Greenspan, raised the retirement age as part of a package of reforms designed to save the system. The retirement age will increase in stages from 65 to 67 by 2022, while the early retirement age remains at 62. However, workers who opt out early only get 70 percent of the full Social Security benefit. Many of the plans to overhaul Social Security propose allowing workers to remain on the job longer in order to strengthen Social Security's financial solvency.

The idea of delaying the time when workers collect benefits means the government won't have to pay retirees for as long and can invest some of the money to build up Social Security's reserves. But, raising the age of retirement could weigh heavily upon certain ethnic groups. African American males for example, live almost a decade fewer in years on the average compared to white males. Raising the retirement age to 70 could prevent large numbers from drawing a pension. Also, many of the current retirees are right at the age when they can still work but can choose to go under the wing of Social Security.

Many, although receiving Social Security, still maintain part-time jobs. Of the 2,001 baby boomers polled in June for the American Association of Retired Persons, 80 percent plan to work at least part-time after they officially retire. They either like the satisfaction of maintaining a job, like the atmosphere a job pertains, need the extra cash flow, or have always envisioned owning their own company or working full time in a new job career. At any rate, this common occurrence of working longer ties in with the next idea of reform

and that is private earnings having a correlation with Social Security transaction and reforms.

Privatization of personal savings would be advantageous to the nation's economy, delivering bigger pensions to workers and helping the economy grow faster. Some believe the emphasis on personal savings would give the added feature of encouraging more individual responsibility at a time when the nation prepares for a surge in its elderly population. Privatization would differ from Social Security in two important ways. First, the amount a worker receives at retirement depends solely on how much one contributes to savings and how well the investments perform.

In simplified notation, those who set aside more and invest wisely enjoy more comfortable retirements. Secondly, pensions are paid out of an individual's accumulated savings instead of financed by taxes on active workers. For example, Chile for a little less than two decades has replaced its system which was much like Social Security with a system incorporated around the idea of privately invested accounts. The results are astounding. The plan is relatively elementary because it focuses on workers placing 10 percent of their monthly income into a savings account. With this, government leaders boosted the national savings rate.