

A Mix of Minor Changes Would Fix Social Security

Social Security, 2013

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Every time I write about the financial condition of Social Security, I get incredibly angry at Congress and the White House. They should step up to the plate and apply the relatively minor financial changes that would restore the program to complete financial sustainability. Next to the truly tough issues of healthcare spending, federal deficits, and taxes, Social Security is a walk in the park.

Governments seem to do little right these days, at a time when the public desperately needs to see something positive from its elected leaders. Restoring the public's confidence in the staying power of Social Security would send a positive message to younger generations. They now have ample reason to doubt they will receive benefits that are anything like those being paid to current [retirees](#).

A Valuable Program

The value and success of this program are not in question. More than 55 million Americans draw benefits today. Some 14 million of them are so dependent on Social Security that they would be impoverished without its payments—payments they have largely (although not entirely) funded with their own payroll taxes.

As the values of private investment accounts were tanking after the Great Recession [December 2007-June 2009], Social Security proved the benefit of a dependable [retirement](#) program. It was there when we needed it, and with modest changes, it can continue to be there for current and future generations.

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The Social Security Administration spends about \$12 billion a year and employs about 80,000 people to run all its retirement and disability benefit programs. Those are big numbers, but not compared with the much larger profits that private companies charge for running 401(k)s, IRAs, and other private retirement accounts. Social Security is a bargain in terms of its administrative [costs](#).

Minor Issues

Putting Social Security on firm financial footing for the next 50 or 75 years is not hard because the program's issues are not huge. This week's [April 25, 2012] annual Social Security trustee report said the program would be unable to pay full benefits in the year 2033, three years earlier than projected in

the same report last year.

Even so, if nothing was done, Social Security could pay its full benefits for 21 more years and then still be able to pay 75 percent of those benefits after that. So, we're talking about heading off a 25 percent spending shortfall more than two decades away.

Still, 20 years is not far off in terms of gradually implementing changes that would provide for the program's longer-term needs while not forcing jarring changes on people already retired or within 10 years of retiring. The program's smaller [disability insurance](#) component is only four years from insolvency, in case lawmakers need a match lit under them sooner.

Lastly, the options for dealing with Social Security's financial needs have been studied to death and then some. There are few surprises here. And there aren't serious ideological issues either, at least not by comparison with the intractable tax-and-spend tug of war that has paralyzed Congress of late. But compromises would be needed.

The three most prominently advanced reforms are to reduce the size of the annual [cost of living](#) adjustment, raise the retirement [age](#), and lift the ceiling on earnings subject to payroll taxes. It's now at \$110,100 a year, but because high earners have fared so well in recent years, the program taxes a smaller percentage of the nation's wage [income](#) than it used to.

The Simpson-Bowles deficit restructuring plan of late 2010 included these and other suggested Social Security reforms. They provide a well-researched starting point for changing the program. The Social Security components of that plan could be peeled off, introduced separately, and subjected to extensive House and Senate hearings.

If Congress and the White House were serious, the program could be put on solid financial ground again well before the elections. And because Social Security has historically been separate from the rest of the [federal budget](#), its needs could be addressed without opening up that much bigger can of worms.

The common wisdom is that no major issue will be addressed in Washington before the November elections. I get it. It's sad, really, that there is not more heat on legislators to act. Perhaps we've just become too accustomed to gridlock. But wouldn't it send a wonderful message if legislators actually demonstrated that they cared more about doing the public's business than results of their next election? Helping Social Security would set the table for those tougher spending and tax decisions. I am, of course, terminally naive. But wouldn't it be great!

Further Readings

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