

# ***PERSONALLY SPEAKING***

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## **PROTECTING SOCIAL SECURITY FOR FUTURE GENERATIONS**

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In a recent column published in *The News-Star* Wiley Hilburn made four specific suggestions for reforming Social Security. Leaving aside for the moment Hilburn's assertion that "Social Security was an issue created by the Bush administration" and that Bush's proposal "was never more than an ultra-conservative niche religion," his suggestions merit our attention and scrutiny, and raise some weighty questions.

However, before turning to Hilburn's suggestions, we are well advised to begin our discussion of the need for reform from authoritative sources. The Board of Trustees of the Social Security system earlier this year stated that the annual cost of the providing benefits from the trust fund will exceed the tax revenues into the fund by 2017 and the assets held in the fund (currently \$1.7 trillion generally in the form of special public-debt obligations of the federal government) will be exhausted in 2041. Redeeming those assets in order to pay benefits in full and in a timely manner will impose an additional burden on the General Fund of the Treasury which in turn has powerful implications for fiscal and economic affairs [*Annual Report*, pp. 2, 33].<sup>1</sup>

In 1999 the Congressional Budget Office estimated that benefit payments would exceed tax collections beginning in 2014 and that by 2034 the monies in the trust fund would cover about 70 percent of the promised benefits [CBO, p. 4]. Clearly, the problems with Social Security financing did not originate on President Bush's watch.

We turn now to Hilburn's four suggestions (in italics).

***1. Raise the retirement age slightly (two years).***

The current law sets 66 as the age to qualify for full benefits for anyone born between 1943 and 1954 and raises that age step by step to 67 for persons born in 1960 or later. Is Hilburn recommending that we raise eligibility for full benefits to age 69?

***2. Raise the maximum taxable income to \$120,000 (now around \$90,000).***

For the last 24 years, Social Security has automatically adjusted the taxable income base to the national average wage. In 2006 the base increases automatically to \$94,200. Is Hilburn suggesting that we abandon this long-standing automatic adjustment mechanism and replace it with increases mandated by the U.S. Congress?

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<sup>1</sup> The retired represent nearly 70 percent of the persons receiving benefit payments under Social Security. The others are survivors of deceased workers and disabled workers.

*3. Incorporate means testing into the benefit formula (better benefit ratios for lower income retirees).*

Means testing benefits implies that to qualify for benefits persons must provide direct evidence that they are needy in much the same way as persons applying for welfare must demonstrate that they are needy. This in turn means that the property right which everyone has established through the contributions they and their employers have made in their name over their entire working lifetime is denied and rejected. Moreover, all of the monies contributed by those who through their life's work have become successful financially are thereby confiscated. For them, Social Security is not a retirement program. It is a 100 percent tax on their contributions. Is this the kind of incentive Hilburn wants to offer to men and women of working age?

Whatever else might be said for or against it, setting aside a portion of a worker's Social Security contributions into private accounts, as President Bush has proposed, has one powerful advantage. The monies a person voluntarily has set aside into a private account belong to that worker and cannot be confiscated through means testing. Does Hilburn object to some workers preferring to protect their property right from the give and take of the political process?

*4. Lower the cost of living adjustment with a new definition of the CPI (Consumer Price Index) that would slow down the growth of benefits.*

At present, as with maximum taxable income, monthly benefits are adjusted automatically every year based on the national average wage. A blue-ribbon commission appointed by former President Clinton made a recommendation like Hilburn's noting that consumer prices typically increase by a smaller amount from year to year than the national average wage. The commission's recommendation was not implemented largely because it would cut the future benefits of everyone on Social Security.

More recently, it has been suggested that need might be accorded a larger role in determining benefits without introducing means testing by adjusting the benefits of high wage retirees to changes in consumer prices and the benefits of low wage retirees to changes in the national average wage. Is Hilburn wedded to a recommendation that already has failed once or is he willing to try something new that likely has a better chance of passing?

If we take Hilburn at his word, raising the age of eligibility for full retirement to 69 and making what he calls some "minor adjustments" are sufficient to deal with the Social Security issue. The Congressional Budget Office, on the other hand, stated six years ago that "financing the nation's current promises to the elderly will require a *major* reallocation of society's resources once the baby-boom generation has retired" [CBO, p. 1]. Where do we look for advice on reforming Social Security? To those who know and understand that the solvency of the system which protects the benefits of coming generations of retirees depends on future birth rates and death rates, immigration, marriage and divorce rates, retirement-age patterns, productivity gains, wage increases, inflation and many other demographic, economic, and program-specific factors? Or to

**Hilburn whose suggestions reflect his transparent populist ideology that finally and simply reduces to “tax the successful and confiscate their property”?**

### **References**

*The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Washington, 2005.*

*CBO Testimony on Social Security Financing, Statement of Dan L. Crippen, Director, Congressional Budget Office, November 9, 1999*  
<[www.cbo.gov/showdoc.cfm?index=1683&sequence=0](http://www.cbo.gov/showdoc.cfm?index=1683&sequence=0)> (October 18, 2005).

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