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# **Wage stagnation: The real threat to Social Security**

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A protest rally during the Great Depression, Jan. 19, 1931.

No matter what they say about the U.S. economy, finding a job to support yourself is tough when you are starting out. Finding rewarding and meaningful work is an even greater challenge for most.

If you are that lucky, you're preoccupied with paying off student loans and having enough money to travel or afford your own home. Thinking about a secure future after a lifetime of work might not be your greatest concern.

But listen up! In mid-November, the New York Times reported that the Social Security fund that pays retiree benefits is projected to be depleted by 2033. While they acknowledge that it is not possible for Social Security to go bankrupt — they say beneficiaries could see their checks shrink by 23%.

The Social Security and Medicare trustees just released an annual report threatening that Social Security will only be able to pay 77% of benefits to retirees by 2033. Medicare will only have enough cash to cover 89% of payments for inpatient hospital visits and nursing home stays by 2031.

### **Won by worker resistance during the 1930s Depression**

Social Security Insurance (SSI) was a plan designed to provide pensions, an income that could not be outlived. It was signed into law by President Franklin D. Roosevelt in 1935. During the Great Depression of the 1930s, the failure of the capitalist economy to insure the survival of a stable workforce was threatened. Roosevelt took measures like this to save the system.

The SSI plan was set up with a payroll tax to be deposited into an insurance trust fund that would provide a retiree income, pay disability benefits, and an income for dependent survivors.

Medicare is a separate program from Social Security. People over 65 and the disabled on Social Security qualify for Medicare. It's financed in a similar way.

From the beginning, Social Security faced opposition from the wealthy sector, which had never experienced the threat of poverty or starvation. Right-wing politicians and their media pundits accused Roosevelt of a socialist plot.

Every year since then, there have been claims that the system is no longer viable, and a plan has been floated to rob this vast fund produced by the labor of the working class. Every time politicians threaten cuts, they back off because of the

massive outrage that ensues.

One phony excuse they use when they talk about cutting Social Security is that the population is growing older and that there are not enough working people paying into the fund to support those who have retired. This divide-and-conquer tactic is false for many reasons:

- This is invalid because of the development of technology. Today's workforce is immensely more productive than when SSI was established.
- Even so, wage stagnation is a problem. The last time the program was seriously revamped was 40 years ago, in 1983. Social Security was projected to remain solvent for 75 years after the reforms. Since that time, shrinking wages have meant shrinking contributions. Any shortfall is because of the continuing decline in workers' wages.
- The income cap is a blatant swindle that allows the wealthy to shirk their responsibility to contribute to Social Security. In 1983, the payroll deduction for retirement insurance was imposed on about 90% of the wage income in the U.S. That shrank to about 82.5% by 2000. The wealthy, who don't work for wages, are not required to pay Social Security contributions. It is widely speculated that raising the cap on the maximum amount of earnings subject to Social Security deductions would eliminate a large part of the program's alleged funding shortfall.

"Growing wage inequality has put more and more earnings outside the reach of the Social Security tax and is the largest factor behind the deterioration in Social Security's financial outlook since 1983," said Paul Van de Water, a senior fellow at the Center on Budget and Policy Priorities.

- Under the law establishing the Social Security Trust Fund, it was stipulated that it could only be used for Social Security benefits and the program administration. By law, Congress cannot directly divert these funds to be

used for other government spending, such as bringing down a rocketing deficit driven by the Pentagon and the military industry.

Of course, there is a back door to raiding the fund. When Social Security's revenue exceeds its expenses, the surplus is invested in special non-marketable U.S. Treasury bonds. In that way, the trust fund indirectly finances the federal government's deficit spending. In 2007, the cumulative excess of Social Security taxes and interest received over benefits paid stood at \$2.2 trillion.

Because surplus funds are invested in Treasury bonds, the government can drain the money in exchange for issuing IOUs to the trust fund.

### **Social Security benefits aren't enough**

Social Security benefits are often insufficient, covering just a third of what's needed to stay above the poverty line. In the past, pay compensation in any halfway decent job included a guaranteed pension plan that Social Security could supplement. Since the 1980s, these types of pensions have all but disappeared.

Workers are now burdened with managing their own retirement investments through 401(k) plans, subject to the uncertainty of the stock market. Workers lose thousands of their savings every time there is a market downturn.

### **Attacks have not let up**

Congress has not increased Social Security benefits in over half a century. Cost of living adjustments (COLAs) are an inflation-adjusted increase that is part of the plan. The COLAs have never kept up with the actual rate of inflation, thus reducing the benefit payment over the years.

In 1983, when the program was revamped, Social Security benefits became taxable income.

The 1983 revamp also gradually increased the full retirement age. Before 1983, everyone's full retirement age (at which you receive 100% of your calculated benefit) was 65. The full retirement age is now 67 and beyond.

Another vicious attack was levied on those who needed benefits the most. In 1996, people suffering from drug or alcohol addiction were no longer eligible for disability benefits.

2009 saw two major cuts to Social Security. People without citizenship documentation were barred from receiving SSI, even though they had very low incomes and needed it.

The Social Security Benefits for Prisoners Act of 2009 revoked the right of incarcerated individuals to receive Social Security benefits. This affected people of color who are disproportionately jailed. Many prisoners are forced to work for pennies a day, sometimes in dangerous conditions. None of their labor is accounted for in pension benefits.

If the threat to overthrow hard-won rights protecting same-sex marriage is carried out, it means that hundreds of thousands of spouses would no longer receive survivor benefits.

The struggle for Social Security never ends. We must fight to protect it.

We need Social Security to support everyone with an income that ensures the well-being of all.



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