

**Republican Perspective**  
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**SOCIAL SECURITY WARNING - WHO CARES?**

*“For more than forty years, the United States Congress has shamelessly used payroll taxes intended for Social Security to fund big government spending.” Mike Pence, Indiana Governor & Republican Vice President nominee*

Lost in the hoopla of both political parties Conventions, was the recently released 2016 Social Security Trustees Report. Every year the Trustees make their annual report about the dour state of Social Security to the yawns of the American public. Should citizens raise concern, politicians provide their usual default babble that they have our backs and will do everything in their power to preserve and protect Social Security.

The bi-partisan Committee For a Responsible Federal Budget (CRFB) analyzed the Trustees report and offered much concern. Some of the salient points from their review are:

- Social Security’s deficits are large and growing
- Failure for Congress to act will lead to large, abrupt benefit cuts
- Latest projections need to focus on solvency of the program first

Once again we learn that Social Security is on the path towards insolvency. In dollar terms, the unfunded liability grew by about 6.5%, from \$10.7 trillion to \$11.4 trillion. Social Security’s insolvency date – the year in which the trust fund runs out and benefits would need to be cut by about 21% – stayed unchanged at 2034. Well, some of us will have reached our final reward by 2034, so let’s just go with Bobby McFerrin’s hit “Don’t Worry, Be Happy!” But what about future generations?

Social Security will pay out \$73 billion more in benefits than it will generate in revenue this year, and \$1.4 trillion more over a decade, according to the Trustees. This shortfall will grow dramatically as the baby boomers continue to retire and life expectancy rises. Meanwhile, revenues will fail to keep up with the outlays.

This payout deficit is covered by redeeming the special-issue, non-tradable government bonds held in the Social Security trust funds. To pay back those bonds, the U.S. Treasury must either raise taxes, borrow or reduce other spending programs.

The CRFB chides Congress and the President for its “do nothing plan.” 2034 seems in the distant future but to make strategic funding decisions it is a short time away, given how long it takes to phase in meaningful reforms. For example, the current increase in

the full retirement age from 65 to 67 was passed in 1983, began in 2000 and will not be fully implemented until 2023.

Progressive/Socialist Democrats favor eliminating the “cap” on earnings subject to payroll taxes. But even this large tax increase would not produce a solvent system. Currently, the 6.2% personal tax is levied on earnings up to \$117,500. Employer’s match the 6.2%.

The need to focus on the solvency of the program first is paramount. The CRFB analysis states: “Given Social Security’s weak financial state, even price-indexing instead of wage-indexing benefits for all beneficiaries would barely delay insolvency, and even eliminating the cap on taxable and creditable earnings would close less than three-quarters of the 75-year shortfall and just over one-third of the 75th year deficit.”

Every major bipartisan group that has addressed Social Security has concluded that policymakers need to both slow the growth of benefits and bring new revenue into the system. Despite these studies, Progressive/Socialist Democrat politicians and their interest groups are calling for across the board benefit increases. Per the CRFB such action “would be wrongheaded and unnecessary to improve retirement security and reduce senior poverty.”

The 10-year cost of a \$100/month increase in benefits for all seniors is \$1.2 trillion. The CFRB believes this increase would consume two-thirds of the savings from fully eliminating the cap on payroll taxes. It would reduce options to reduce the current structural gap. Put in perspective, \$1.2 trillion is more money than the total spending that Progressive/Socialist Democrats have put forth for free college, universal pre-kindergarten and doubling National Institute of Health research.

Maybe George Soros, Tom Steyer, Warren Buffet, the Hollywood Left, Mark Zuckerberg and other Silicon Valley moguls will agree to redistribute their wealth towards strengthening Social Security.