

# The big lie



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**S**ocial Security is a major component of the Federal Employees Retirement System (FERS). Additional components include the FERS annuity, the Special Annuity Supplement and the Thrift Savings Plan. Each of these components is under relentless attack. There were legislative proposals in the last Congress that would eliminate the FERS annuity, eliminate the Special Annuity Supplement, end Postal Service contributions to the Thrift Savings Plan and reduce Social Security benefits, while increasing employee contributions.

This column focuses on the attacks against Social Security. In addition to legislative proposals to reduce Social Security benefits, increase employee contributions, raise eligibility ages, and divert funds to Wall Street bankers, there is a well-funded, constant barrage of misinformation in the media about Social Security. That barrage suggests that Social Security is going broke, our nation cannot afford it, and benefits must be reduced. The misconceptions and half-truths about Social Security are repeated widely and often in the media—talk radio, newspapers, television, magazines and Internet outlets.

Given the tenor and pervasiveness of the onslaught, some might think there is a consensus that Social Security is doomed and benefits must be reduced. There is no such consensus. It is reasonable to ask just who is behind the clamoring for the reductions in Social Security benefits and predictions of doom. It is not the American people. And it is certainly not a majority of Republicans, Democrats, Independents, the poor, the middle class, the wealthy, baby boomers, Generation X or Generation Y. A study published in 2013 by the National Academy of Social Insurance<sup>1</sup> found that 75 percent of Americans agreed that we should consider increasing Social Security benefits. That overall percentage reflects 62 percent of Republicans, 84 percent of Democrats, 71 percent of Independents, 70 percent with annual family income under \$30,000, 68 percent with family income up to \$75,000, 75 percent with family income above \$100,000, 73 percent of baby boomers, 70 percent of Generation X, and 65 percent of Generation Y.

The same study found that 84 percent of Americans agreed they do not mind paying Social Security taxes because it provides security and stability to millions. That overall percentage reflects 74 percent of Republicans, 91 percent of Democrats, 86 percent of Independents, 83 percent with annual family income under \$30,000, 82 percent

with family income up to \$75,000, 86 percent with family income above \$100,000, 86 percent of baby boomers, 85 percent of Generation X, and 79 percent of Generation Y.

## **So who is behind the onslaught against Social Security?**

Some of the onslaught may be motivated by greed. Wealthy investment bankers would like Social Security contribution funds channeled through their firms. In his second term, President George W. Bush championed that idea with a proposal to allow workers to divert some of their Social Security contributions into private individual investment accounts. That proposal flopped, for good reason. It undermined the very idea of social insurance. It would have converted Social Security from a defined benefit plan to a defined contribution plan. It would have quickly created an underfunding crisis.

However, a larger portion of the onslaught is probably motivated by ideology. There are some who believe that the federal government should be small, weak and uninvolved with the general welfare of the people. When these ideologues see Social Security, they see a massive government program, efficiently administered, overwhelmingly popular with the American people, with almost 100 years of successfully keeping seniors, disabled, widows and orphans out of poverty. They believe that is a bad thing. The success of Social Security undermines their worldview. (Does that remind anyone of the Postal Service?)

The ideologues seek to convince the American people that we cannot afford Social Security. Their arguments do not hold up under scrutiny. Social Security has worked well for almost 100 years. In 2013, Social Security took in \$32 billion more than it paid out, and the Social Security trust fund held an accumulated surplus of \$2.8 trillion.

The coming surge of retirements of the baby boomer generation will draw down that surplus. However, there is a simple fix. Currently, the Social Security payroll tax is applied to only the first \$117,000 of earnings. As a result, a worker who makes \$50,000 a year pays 6.2 percent of his or her total income into Social Security. A corporate vice president who makes \$250,000 a year pays 6.2 percent of only the first \$117,000. That calculates to less than a 3 percent Social Security tax rate on total wage income. Lift that cap, and require the wealthy to pay the same Social Security tax rate as regular workers on all of their wage income. (No Social Security tax is imposed on investment income such as interest and dividends.) Lift the cap, and the baby boomer retirement surge trust fund drawdown is largely solved.

We are the wealthiest nation in the world. We can afford Social Security.

1. Available online at [nasi.org/sites/default/files/research/What\\_Do\\_Americans\\_Want.pdf](http://nasi.org/sites/default/files/research/What_Do_Americans_Want.pdf)