



HAPPY 80TH BIRTHDAY SOCIAL SECURITY...AND MANY MORE!

by Stefan Lonce

On 8-14-2015, we shall celebrate Social Security's 80th birthday: FDR signed the Social Security Act into law on 8-14-1935.

I will be forever grateful to President Roosevelt and to Secretary of Labor Frances Perkins, who worked with FDR to create Social Security, because after my father died when I was 8 years old, the Social Security survivors benefits that my mother, my 5 brothers, and I, received enabled my mother to keep our family together; without those benefits, my brothers and I would have been split up and raised by relatives or in foster care.

Although it is commonly called an "entitlement," for most Americans, Social Security is an "earned benefit," because benefits are based on the mandatory Federal Insurance Contribution Act ("FICA") payments made equally by employers and employees (the FICA rate for Social Security is 12.4% of annual earnings, up to \$118,500).

Social Security is actually a federal government owned-and-operated insurer which provides *guaranteed* benefits for retirees, the disabled and survivors of deceased workers. President Roosevelt and Secretary Perkins designed Social Security to be an efficient and effective self-funding program.

From 1940 (when Social Security began paying benefits) until 1981, Social Security was fiscally secure, but the stagflation [inflation + economic stagnation = stagflation] of the late '70s and early '80s drove the program to the brink of bankruptcy.

That's why, in 1982, President Reagan appointed the Greenspan Commission (headed by former Fed Chair Alan Greenspan) to devise a plan to save Social Security. The Greenspan Commission recommended that more workers be brought into Social Security, that benefits be slightly decreased, and that mandatory FICA premium payments, commonly called "payroll taxes," be increased. Congress accepted the Greenspan Commission's recommendations, and on 4-20-1983, President Reagan signed the Social Security Amendments of 1983 into law.

Since 1983, Social Security has generated surpluses totaling \$2.7 trillion, which are

invested in special non-marketable Treasury bonds.

According to the 2015 Social Security *Trustees' Report*, Social Security is projected to continue earning operating surpluses until 2022; if Social Security's bonds are fully paid by the federal government, then Social Security's trust fund for old age and survivors benefits is financially secure until 2035. However, the Social Security trust fund that pays for disability benefits will be depleted next year; Congress should enact legislation sought by the Obama Administration to increase the share of FICA payments paid to the disability trust fund (this would NOT increase the FICA rate).

Here's the proposal of the PRESERVE SOCIAL SECURITY & HEALTHCARE COALITION (which is a project of the 4 A BETTER WESTCHESTER + NYS ASSOCIATION, a nonprofit I co-founded in 2005): we need a new commission, modeled on the Greenspan Commission, to devise a plan to preserve and strengthen Social Security. The new Social Security commission should consider how to bring more workers (including state government employees) into Social Security, how to raise – but not eliminate – the income ceiling subject to mandatory Social Security FICA premiums, and how to invest Social Security's \$2.7 trillion in accumulated surpluses.

President Roosevelt and Secretary Perkins included the ceiling on income subject to mandatory FICA premiums to protect Social Security from attacks by wealthy Americans, who are willing to tolerate Social Security provided that there is a limit on how much they have to pay for it. That's why the income ceiling must be maintained, but it should be raised – and our proposed Social Security commission would carefully consider this issue.

We also propose that the commission should establish a pilot program allowing Social Security to invest a portion of its surpluses, as a long-term investor, in stocks and bonds, without exercising ownership and voting rights, which would grow the economy and increase the Social Security trust funds.

The investment standards that Social Security sets would change how American businesses operate. For example, if Social Security were to decide not to invest in stocks of companies that routinely buy back large blocks of their stock (which is done to increase stock prices), then corporate America would be forced to invest in a way that would grow the economy for everyone -- by building new factories or investing in research and development; stock buy-backs benefit only current shareholders (and primarily benefit corporate insiders).

Social Security should also invest in bonds to finance public school construction and renovations, which would make Social Security more secure, financially, since better education directly translates into increased incomes, and

increased FICA payments.

The Social Security commission should also explore how to expand benefits in a fiscally responsible way; since Social Security is generating surpluses, we shouldn't change the formula for calculating Social Security's annual cost-of-living adjustments. The commission should be headed by experienced and successful former elected officials, such as former Senators George Mitchell and Nancy Landon Kassebaum, and it should include experts on Social Security, such as James Roosevelt, Jr. (FDR's grandson, who served as Social Security Commissioner under President Clinton), and Eric Kingson and Nancy Altman, who served as Greenspan Commission staffers.

You can read more about our innovative and practical Social Security proposal at www.TakeBackOurFutureNow.org; our slogan is "TAKE BACK OUR FUTURE, NOW!"; and if Americans work together to preserve and strengthen Social Security, then we will all benefit. In the meantime, on August 14th, M.H. Fryburg (with whom I co-founded the 4 A BETTER WESTCHESTER + NYS ASSOCIATION) and I will celebrate Social Security's 80th birthday, and I hope that you – my friends in Montauk and elsewhere – will do the same.



FDR signs Social Security into law on August 14, 1935 with Secretary of Labor Frances Perkins standing behind him.



STEFAN LONCE and MH FRYBURG are working on *DRIVING WITH FDR: A CALENDARICAL BIOGRAPHY + MEMOIR*; please visit www.DrivingWithFDR.com for more information about how FDR was able to get back into politics, after he was paralyzed by polio and could no longer walk, because he was able to drive, using hand controls that he designed; the hand controls gave FDR hope, and confidence, and enabled him to persuade Americans that he was physically fit enough to be President.