



Do Americans Prefer Deception?

There's more to the deceit and dishonesty about Social Security and Medicare discussed in my recent columns. Congress tells us that one-half (6.2 percent) of the Social Security tax is paid by employees and that the other half is paid by employers, for a total of 12.4 percent. Similarly, we are told that a Medicare tax of 1.45 percent is levied on employees and that another 1.45 percent is levied on employers. The truth of the matter is that the burden of both taxes is borne by employees. In other words, we pay both the employee and the so-called employer share. You say, "Williams, that's nonsense! Just look at what it says on my pay stub." OK, let's look at it.



Pretend you are my employer and agree to pay me \$50,000 a year, out of which you're going to send \$3,100 to Washington as my share of Social Security tax (6.2 percent of \$50,000), as well as \$725 for my share of Medicare (1.45 percent of \$50,000), a total of \$3,825 for the year. To this you must add your half of Social Security and Medicare taxes, which is also \$3,825 for the year. Your cost to hire me is \$53,825.

If it costs you \$53,825 a year to hire me, how much value must I produce for it to be profitable for you to keep me? Is it our agreed salary of \$50,000 or \$53,825? If you said \$53,825, you'd be absolutely right. Then who pays all of the Social Security and Medicare taxes? If you said that I do, you're right again. The Social Security and Medicare fiction was created because Americans would not be so passive if they knew that the tax they are paying is double what is on their pay stubs — not to mention federal income taxes.

The economics specialty that reveals this is known as the incidence of taxation. The burden of a tax is not necessarily borne by the party upon whom it is levied. The Joint Committee on Taxation held that "both the employee's and employer's share of the payroll tax is borne by the employee." The Congressional Budget Office "assumes — as do most economists — that employers' share of payroll taxes is passed on to employees in the form of lower wages than would otherwise be paid." Health insurance is not an employer gift, either. It is paid for by employees in the form of lower wages.

Another part of Social Security and Medicare deception is that the taxes are officially called FICA, which stands for Federal Insurance Contributions Act. First, it's not an insurance program. More importantly, the word "contribution" implies something voluntary. Its synonyms are alms, benefaction, beneficence, charity, donation and philanthropy. Which one of those synonyms comes close to describing how Congress gets Social Security and Medicare money from us?

There's more deceit and dishonesty. In 1950, I was 14 years old and applied for a work permit for an after-school job. One of the requirements was to obtain a Social Security card. In bold letters on my Social Security card, which I still possess, are the words "For Social Security Purposes — Not For



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Identification.” That’s because earlier Americans feared that their Social Security number would become an identity number. According to the Social Security Administration website, “this legend was removed as part of the design changes for the 18th version of the card, issued beginning in 1972.” That statement assumes we’re idiots. We’re asked to believe that the sole purpose of the removal was for design purposes. Apparently, the fact that our Social Security number had become a major identification tool, to be used in every aspect of our lives, had nothing to do with the SSA’s getting rid of the legend saying “For Social Security Purposes — Not For Identification.”

I wonder whether political satirist H.L. Mencken was right when he said, “Nobody ever went broke underestimating the intelligence of the American public.”

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