Written by **Bob Adelmann** on September 23, 2013

Disability Income Becoming Lifetime Unemployment Program

Back in 2011, if Eugene LaPorte knew that the Social Security Disability Insurance program was going to be broke in five years, he probably wouldn't have cared. He needed the money and he was out of options. When he graduated from high school in Millinocket, Maine, in 1973, he went straight to work for the Great Northern Paper Company, the economic anchor in this small town in northern Maine. He became a supervisor and, just before the company went bankrupt in the early '90s, was earning nearly six figures. Said LaPorte: "Who needed a college education? I was living the dream."

But a series of layoffs coupled with health challenges finally forced LaPorte to consider an option: going on disability. Given his long list of ailments — a heart attack, asthma, and diabetes — LaPorte filed for disability under the Social Security Disability Benefits program and within months of applying, he started receiving a regular check. Although his check isn't large — checks average $1,130 a month — it's enough for him and his wife (who owns a small business in town) to get by on. It's enough for him to ride his Harley to bike rallies around New England. And after two years, he became eligible for Medicare, which covers him now for the rest of his life.

In a microcosm, La Porte exemplifies an increasing number of people who have run out of options, and money, and are looking for something, anything, to keep body and soul together. As Andrew Houtenville, director of research for the University of New Hampshire's Institute on Disability said: "When you are faced with a job loss, what do you do?" John Dorrer, an economist at Maine's Department of Labor, said LaPorte is just one of many applying for, and receiving, benefits under Social Security:

> The Social Security disability program has become an economic option for many people. As a result of the economic downturn, a whole lot of unskilled males 50 and over were bounced out of the labor force.

LaPorte has lots of company. In 2000, just over five million former job holders were on disability. Today that number is 8.8 million, and that doesn't count another two million dependent children and spouses who also receive benefits.

That's putting tremendous pressure on the system. Using politically correct language, the Social Security trustees wrote in May:

> The projected cost of Social Security increases faster than projected income through about 2035 primarily because of the aging of the baby-boom generation and relatively low fertility since the baby-boom period. [That] cost will continue to grow faster than income … after 2035 due to

> increasing life expectancy….
>
> [We] project that the DI [Disability Income] Trust Fund will have sufficient reserves to pay full benefits on time until 2016….
>
> Legislative action is needed as soon as possible.

Options for "fixing" Social Security are relatively simple: cut benefits to present and future beneficiaries and raise taxes on those still working to keep the program afloat. But for the DI program, solutions are harder to come by. How does one justify increasing taxes on all workers when only a relatively few will ever use it? How does one reduce benefits to present recipients? Should we institute a program of regular submissions of health status, tighten eligibility standards retroactively, or put time limits on payouts?

One clever researcher has concluded that no one needs to worry about such things. Wrote John Harvey, a contributor to *Forbes* magazine, "It is a logical impossibility for Social Security to go bankrupt…. It's an immediate transfer from workers today to retirees today. That's what it has always been and that's what it has to be — there is no other possible way for it to work."

According to Harvey, as long as someone is working, there'll be money to keep the system afloat. It's all about productivity, he says, and as long as the economy is generating income, there'll be enough to pay benefits to those no longer working. Harvey accurately points out that even when present reserves are exhausted from the DI trust fund, payroll taxes will still be able to pay LaPorte and his fellow recipients nearly 80 percent of what he is getting now. And so, why worry?

Harvey assumes, of course, that taxpayers will continue to stand still for the increased fleecing that is likely as Congress comes under pressure to maintain or even increase the current level of benefits. At some point there will be a taxpayer revolt, which will be reflected by a change of attitude in Congress, which will impact LaPorte and his friends. Time is on the side of the taxpayer. Harvey may be right. Social Security may not go bankrupt. But it will most certainly disappoint those expecting the taxpayer-funded insurance benefits to keep flowing unimpeded and unchanged forever.

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*

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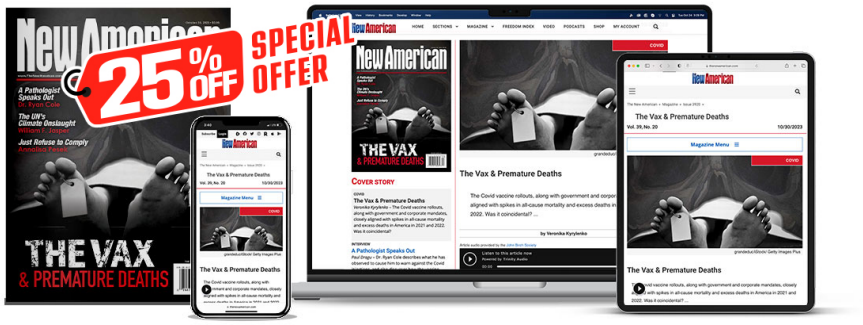

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