



Social Security Benefits Only for Needy?

One way to fix Social Security would be to limit payments only to those who need them, according to House Minority Leader John Boehner (R-OH). In an interview with the Pittsburgh Tribune-Review, he added that increasing the retirement age to 70 for those age 50 and younger would also be necessary.

“We need to look at the American people and explain to them that we’re broke,” Boehner said. “If you have substantial non-Social Security income while you’re retired, why are we paying you at a time when we’re broke? We just need to be honest with people.”



Separately, House Majority Leader Steny Hoyer (D-Md.) echoed Boehner: “On the spending side, we could and should consider a higher retirement age, or one pegged to lifespan, more progressive Social Security and Medicare benefits, and a stronger safety net for the Americans who need it most.”

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Social Security was sold to the American people during the Great Depression by President Franklin Roosevelt as part of his New Deal. It was called “social insurance,” borrowing credibility from the insurance industry, which had withstood the battering of the depression. To this day, the taxes extracted from workers for Social Security are called “contributions,” and those taxes are collected under the authority of the FICA — the “Federal *Insurance* Contributions Act.” This implied that workers had a vested interest in their Social Security accounts.

Such implications of safety and security were exposed and corrected in 2000 when [President Clinton’s budget](#) explained: “These [Social Security Trust Fund] balances are available ... only in a bookkeeping sense.... *They do not consist of real economic assets that can be drawn down in the future to fund benefits.* Instead, they are claims on the Treasury that ... will have to be financed by raising taxes.” (Emphasis added.)

And any suggestion that workers had an ownership interest in their Social Security accounts was “clarified” in the Supreme Court case of *Flemming v. Nextor*, when it was revealed that “workers have no legally binding contractual or property right to their Social Security benefits, and those benefits can be changed, cut, or even taken away at any time.”

Of course, those early into the system benefited greatly, as in any Ponzi scheme. The first Social Security payment was made to Ernest Ackerman, who retired the day after Social Security began. Five cents was withheld from his last check, and his lump-sum payout from his “account” a month later was 17 cents, more than triple his “contribution.” Ida May Fuller was the most [well-known](#) of the early “beneficiaries” of Social Security. In 1937, 1938 and 1939 she paid a total of \$24.75 into her Social Security account, and then retired. She lived to be 100 and collected a total of \$22,888.92.



Written by [Bob Adelman](#) on July 14, 2010

With Boehner's and Hoyer's suggested fixes comes confirmation that Social Security is nothing more than a redistribution scheme from the beginning, subject only to congressional whims and pressures. But those pressures continue to mount, and with the increasing likelihood that Boehner would become House Majority leader or even Speaker of the House after the November elections, he had to present something that would extend the life of Social Security at least temporarily.

The Congressional Budget Office declared that the U.S. Government is on an "unsustainable" path, and predicted, according to [Thomas Eddlem](#) "that the United States will face a Greek-style financial crisis in the future" unless something is done. Efforts to reform Social Security failed in the past, but the solution to solvency remains the same: phase out the government-system in favor of a free-market system. The Cato Institute's 7th Edition of its *Handbook for Policymakers* outlined a plan for private accounts that would "allow workers to invest privately at least half [of] their Social Security payroll taxes through individual accounts." This would have numerous benefits, including

- returning Social Security to long-term solvency
- providing workers with higher benefits than Social Security
- increasing national savings and economic growth
- allowing low-income workers to accumulate real inheritable wealth, while
- giving all workers ownership of and control over their own retirement funds, rather than putting such responsibility into the hands of politicians

On the other hand, as the Cato analysis point out:

Social Security is not sustainable without reform. Simply put, it cannot pay promised future benefits with current levels of taxation. Yet raising taxes or cutting benefits will only make a bad deal worse. At the same time, workers have no ownership of their benefits, and Social Security benefits are not inheritable. This is particularly problematic for low-wage workers and minorities. Perhaps most important, the current Social Security system gives workers no choice or control over their financial future.

"It is long past time for Congress to act," Cato concludes.

Photo: Rep. John Boehner



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