

# Social Security: Past, Present and Future

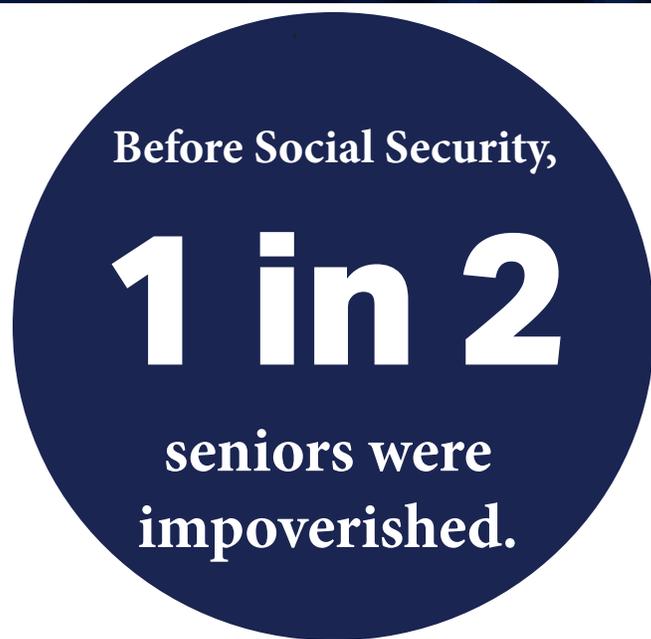
## *On Social Security's 83rd Birthday, Congress Needs to Expand It.*

### LIFE BEFORE SOCIAL SECURITY

Social Security was enacted in 1935, during the Great Depression, the worst economic downturn in the history of the industrialized world. America, the shining city on a hill, had suddenly come crashing down overnight. In 1933, the lowest point in the Great Depression, 24.9 percent of Americans were unemployed, many of them older Americans.

Well before the Great Depression, most older Americans lacked savings or pensions, and found themselves financially insecure as they aged. When older Americans could no longer support themselves through work, they generally moved in with their adult children. If they had no children who could take them in, they literally went to the poorhouse.

When the Depression started, older Americans were especially hard hit. Some states enacted means-tested pension programs, but they were subject to the availability of funds, were inadequate in the benefits promised, and often were punitive. For example, in Louisiana in 1937, old age pensions were reduced in the harvesting season so elderly black people would be forced to harvest cotton – whether their health even allowed this backbreaking labor.



The idea of Social Security wasn't new. Indeed, the United States was a latecomer; most other industrialized countries had already enacted government-run insurance against the loss of wages. The path to enactment in the United States wasn't easy but on August 14, 1935, President Franklin D. Roosevelt signed into law the Social Security Act of 1935, creating a program that provides efficient and reliable wage insurance in the event of retirement, disability, or death.

# THE IMPORTANCE OF SOCIAL SECURITY TODAY

Since President Roosevelt signed it into law, Social Security has become one of the most successful programs in history. In addition to providing financial stability to the almost 61 million people who are now beneficiaries, in 2012, Social Security benefit payments, generally spent in the local economy, resulted in over 9 million jobs and added almost \$1.4 trillion dollars in output to the U.S. economy. Without Social Security, 21.9 million Americans, including 15.2 million seniors and 1.7 million children, would have fallen below the poverty line in 2014. Social Security is as popular as it is essential. A 2014 National Academy of Social Insurance survey found that 85 percent of Americans believe Social Security benefits are now more important than ever.

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Social Security will only become more important to future beneficiaries, who must contend with rising inequality, stagnating wages, disappearing employer-sponsored traditional pensions, and growing student loan debt. Today, 52 percent of working-age households are at risk of being unable to maintain their standards of living in retirement. It's time for Congress to expand Social Security, by requiring the wealthiest to pay their fair share.

*Without Social Security 21.9 million Americans would have fallen into poverty.*



# *President Roosevelt referred to the Social Security Act of 1935 as “a cornerstone in a structure which is being built but is by no means complete.”*

## **EXPANDING SOCIAL SECURITY**

Future generations took up President Roosevelt’s call, expanding Social Security to add family benefits and life insurance in 1939, disability insurance in 1956, and Medicare in 1965. Now it’s time for our generation to add to that well-constructed cornerstone.

Because it is extremely likely that more Americans will depend mostly or solely on Social Security for retirement security in the future, we must expand Social Security’s extremely modest benefits. We are the wealthiest nation in the world at the wealthiest point in our history. If the American people want higher benefits and increased protections, there is no question the nation can afford that.

One of the first and easiest steps is to eliminate the cap on wages subject to Social Security contributions; all Americans benefit from Social Security so it’s only fair that all Americans contribute at the same rate. It makes no sense that minimum wage workers should contribute a higher percentage of their wages than CEOs of Fortune 500 companies do. We should also incorporate high earners’ investment income into Social Security, as we already do with Medicare. These policies alone would raise trillions of dollars in revenue for Social Security over the next three quarters of a century.

Introducing new dedicated sources of progressive revenue is profoundly wise policy, given the upward redistribution of income and wealth over the last few decades. For example, dedicating revenue from our most progressive tax—the federal estate tax—to our Social Security system would help to reduce income and wealth inequality while providing sufficient revenue to expand benefits. This is not a novel proposal; indeed, the idea of a system of social insurance benefits financed by a tax on inherited wealth, was proposed over two centuries ago by one of our nation’s Founding Fathers, Thomas Paine.

Social Security has stood the test of time. It is the most efficient, universal, fair, portable, and secure form of retirement income around. It is most Americans’ most important source, not only of retirement income, but of life insurance and disability insurance, as well. There is no better gift we can give Social Security – and ourselves – on this 83rd anniversary of its enactment, than the pledge to fight for an expanded Social Security for all of us.

<sup>1</sup> Jerry Marx, “American Social Policy in the Great Depression and World War II,” The Social Welfare History Project, <http://socialwelfare.library.vcu.edu/eras/great-depression/american-social-policy-in-the-great-depression-and-wwii/>

<sup>2</sup> Cynthia Crossen, “Before Social Security, Most Americans Faced Very Bleak Retirement,” The Wallstreet Journal, September 15, 2004. <https://www.wsj.com/articles/SB109520630433518093>

<sup>3</sup> Al Myles, Gary Koenig, “Social Security’s Impact on the National Economy,” AARP Public Policy Institute, October 2013. [http://www.aarp.org/content/dam/aarp/research/public\\_policy\\_institute/econ\\_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf](http://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf)

<sup>4</sup> Kathleen Roming, “Social Security Lifts 21 Million Americans Out of Poverty,” Center on Budget and Policy Priorities, November 9, 2015. <http://www.cbpp.org/blog/social-security-lifts-21-million-americans-out-of-poverty-0>

<sup>5</sup> Thomas Bethell, Virginia Reno, Elisa Walker, “Americans Make Hard Choices on Social Security: A Survey With Trade-Off Analysis,” National Academy of Social Insurance, October 2014. [https://www.nasi.org/sites/default/files/research/Americans\\_Make\\_Hard\\_Choices\\_on\\_Social\\_Security.pdf](https://www.nasi.org/sites/default/files/research/Americans_Make_Hard_Choices_on_Social_Security.pdf)

<sup>6</sup> Wenliang Hou, Alicia H. Munnell, and Anthony Webb, “NRRRI Update Shows Half Still Falling Short,” Center for Retirement Research at Boston College, no. 14-20, December 2014. [http://crr.bc.edu/wp-content/uploads/2014/12/IB\\_14-20-508.pdf](http://crr.bc.edu/wp-content/uploads/2014/12/IB_14-20-508.pdf)

<sup>7</sup> SSA, “Summary of Provisions That Would Change the Social Security Program,” January 20, 2016. <https://www.ssa.gov/oact/solvency/provisions/summary.html>