Written by **Bob Adelmann** on July 23, 2015

Social Security Disability Trust Fund Could Be Depleted by Late 2016

Every year the language of the trustees of the Social Security system becomes more strident, and every year the managers of the program kick the can further down the road. In its report issued on Wednesday, the Social Security and Medicare Board of Trustees stated that "Social Security's Disability Insurance (DI) Trust Fund now faces an urgent threat of reserve depletion, requiring prompt corrective action by lawmakers if sudden reductions or interruptions in benefit payments are to be avoided." The report noted:

> DI Trust Fund asset reserves, which have been declining since 2008, are projected to be fully depleted in late 2016, as reported last year. Payment of full DI benefits beyond 2016, when tax income would cover only 81 percent of scheduled benefits, will require legislation to address the financial imbalance.

Congress must take action now, say the trustees, "giving the public adequate time to prepare." Those preparations could potentially involve a 20-percent reduction in disability checks starting next fall. In the long run those preparations would involve seeing the entire program disappear altogether, say the trustees: "Beyond DI, Social Security as a whole as well as Medicare cannot sustain projected long-run program costs under currently scheduled financing."

At present, the welfare scheme soaks up 42 percent of all government expenditures and those costs will increase faster than the economy for the foreseeable future, they say. And this despite factoring in premium increases of more than 30 percent over the next two decades.

Part of the problem is that more and more disability recipients are using the system as their early retirement plan. If he can stay on disability for two years, a recipient is automatically covered by Medicare regardless of his age. With the economy continuing to stagger, many are finding the loosened definitions of "disability" helpful in milking the system as an alternative to trying to find real work.

In 1984 Congress, in its continuing desire to pander to the electorate, expanded disability qualification standards to incorporate not just a specific list of impairments but also much more subjective measures of a person's ability to work, such as pain and depression. Today, according to Rachel Greszler of the Heritage Foundation, "more than half of all disability awards are given to individuals with musculoskeletal disorders, or mental impairments."

Or, as Rand Paul aptly pointed out, half the people who are getting disability benefits "are either anxious or their back hurts."

The trust fund backing the disability program, like those backing Social Security itself, is filled with nothing but government IOUs, meaning that the money has already been spent. Since 2010, the U.S.

Treasury has been redeeming those IOUs either through additional tax revenues or borrowing in order to keep the whole scheme afloat, and, according to the trustees, it will be forced to continue to do so into the foreseeable future.

Current disability recipients could see a reduction in their checks of about $200 a month if nothing is done. In the past, however, managers have simply raided the other trust funds in order to make sure that doesn't happen.

All that does is hasten the day when the entire system comes crashing down. If Peter robs Paul when both of them are going broke, he merely hastens the bankruptcy of both. At the moment there is less than 40 percent of one year's payouts in the DI trust fund, and simple math dictates that it will reach zero next fall. That would make this a presidential campaign issue unless the program managers kick the can once again.

The president supports raiding Social Security to keep the DI program going, while Republicans are predictably urging Congress to change the program, reduce the fraud, and add a few more years to its life.

Others have estimated just what it would take to make the entire Social Security/Medicare/Disability program solvent: massive increases in taxes, or huge cuts to benefits, or both. They're not talking about increases in premiums, but in overall income tax rates. Professor Laurence Kotlikoff of Boston University, who has seen through the deceit and the fraud of the system, says that its "rescue" would need to involve a 20-percent increase in the Social Security tax starting immediately, coupled with benefit reductions of close to the same amount.

That's because, claims Kotlikoff, the trustees can't (or refuse to) count. According to his "fiscal gap" accounting system, the unfunded liabilities of the system aren't $30 or $40 trillion as estimated by the trustees, but are more like $210 trillion. Given the predilections of Congress, especially in a presidential campaign year, nothing like this will even be a topic of conversation. Instead, much will be said about saving the system, preserving it for the next generation, and so forth, without addressing the underlying economic fallacy of the program: transferring wealth earned by one to another who didn't. It's a glorified program of theft, all dressed up to look moral and legitimate.

In a perverse sense of justice, raiding one part of a failing system to keep another part from becoming insolvent will hasten the day of reckoning when the can can no longer be kicked down the road. In another 19 years, say the trustees, the entire system will run out of road. If the economy suffers another recession in the meantime, which some economists say is highly likely, it's likely to run out of road even sooner.

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