



Written by [Kurt Hyde](#) on August 13, 2015

Social INsecurity — How to Phase Out the Fundamentally Flawed System

Friday, August 14, marks the 80th anniversary of Franklin Roosevelt's signing of the Social Security Act of 1935 into law. But is this landmark anniversary a cause for celebration? After all, the octogenarian government agency appears to be in worse financial condition than the octogenarian retirees it was supposedly designed to help.

Among the many broken promises of Social Security is Section 203 of the 1935 bill:



If any individual dies before attaining the age of sixty-five, there shall be paid to his estate an amount equal to 3 per centum of the total wages determined by the Board to have been paid to him, with respect to employment after December 31, 1936.

The Payments Upon Death section is not the only part of Social Security to be thrown under the bus. For instance, old-age pensioners have been repeatedly thrown under the bus via benefits rationing. Myra Adams, writing for *National Review* online on July 30, [noted an asterisk](#) on her recent Social Security statement:

Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 percent of scheduled benefits.

Adams then referred to the asterisk on her statement from 2009 and compared the explanations:

Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2041, the payroll taxes collected will be enough to pay only about 78 percent of scheduled benefits.

Adams was rightfully concerned. The asterisks not only mentioned the possibility of further benefits rationing, but in the six years since 2009, the benefits rationing prognosis became one percent worse with a projected arrival eight years earlier. In addition to the disturbing trend, it raises questions as to the reliability of the forecasts when two forecasts only six years apart are so far from each other.

Means Testing — Marxist-Oriented Benefits Rationing

Governor Christie of New Jersey, currently a Republican presidential hopeful, has recently suggested means testing as a way to reduce Social Security retirement benefits. Governor Christie's website provides only a few details of his plan for means testing, which is in this case primarily based on income. Of course, if means testing becomes a requirement, the means test could easily be expanded to other criteria, such as assets owned or assets available for use. The means test could become an annual requirement. The administrative costs of collecting, reviewing, and storing the personal data associated with the means tests would increase along with the complexity of the means test. It would also be an invasion of privacy.



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If contributions into Social Security are based on “from each according to his ability” and retirement pensions are based on “to each according to his need” the system would be reasonably compatible with theories espoused by Karl Marx and other socialists. Students of American history will recall the Pilgrims had a system of communal sharing. It put the fledgling colony dangerously close to economic collapse. The Pilgrims’ communal sharing economy was fixed by parceling agricultural lots by family with the food grown in each lot to benefit the family that tilled that parcel and tended the crops.

Taking resources from the productive according to their ability and returning it to them after passing it through gatekeepers who distribute it based on “each according to his need” has been a failure throughout history. Would any sane person think that would save Social Security?

Is Social Security Worth Saving?

The simple answer is No. It’s unconstitutional and it’s a wasteful Ponzi scheme. The problem is that people have become dependent on it and it needs to go on life support long enough to accomplish a phase-out.

While establishment politicians rarely look anywhere except retirement pensions for cuts, there are other parts of Social Security that can be cut first. Another way of viewing Social Security costs would be to list some of its expense areas: Payments to foreigners, disability insurance, unnecessary administrative expenses, and retirement pensions.

Phase Out Payments to Non-citizens

One area where the Social Security payments have been too plentiful is payments to foreigners. The Social Security website [lists the criteria](#) by which non-citizens can collect Social Security benefits.

The New American has asked the Social Security Administration how many non-citizens receive Social Security payments and how much the total disbursement is. As of press time for this article, SSA has not responded.

Payments to non-citizens should be phased out over time, perhaps in two years. The Social Security statement to non-citizens could have something like this under the asterisk:

Estimates of payroll taxes and benefits indicate serious shortfalls in Social Security funding in the near future and there will not be enough money to pay even American recipients. Payments to non-citizens will continue unchanged through this year and be subject to a 50-percent cap next year, which will be the final year of Social Security benefits for non-citizens.

Phase Out Disability Payments

Nowhere in the U.S. Constitution is the federal government authorized to be involved in paying people with disabilities. People with genuine disabilities are a deserving group, but politicians have used them as an opportunity to expand the federal government. Making these people dependent on an inefficient federal agency is not doing them or the American taxpayer any favors. There are more efficient charities, and these people and their relatives can help these charities raise money. Plus, assistance for truly needy people, if handled by the government at all, could be done with much greater efficiency and accountability at the community, or perhaps even state, level.

Because persons with disabilities have genuine needs, the phase-out from Social Security should be longer. The phase-out could be done in a similar manner to the payments to non-citizens, but perhaps over a period of four years with first-year benefits at current levels followed by a 75-percent cap in year two, a 50-percent cap in year three and a 25-percent cap in the final year.



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Eliminate Unnecessary Administrative Expenses

Why should Social Security have so many complications? Why should people need to hire a financial planner to recommend a complex Social Security strategy? Why should Social Security even have an option of “file and suspend?” Whatever the reason for this mess, the best way out of this part of the morass is to simplify the retirement benefits. There should be only two options: Age for starting benefits and retirement benefits for surviving spouses.

The Social Security Administration’s Summary of Performance and Financial Information Report for FY 2014 claims more than 75,000 state and federal employees in about 1,400 offices including regional offices, field offices, and other processing centers. The report also says, “Internationally, we deliver services in U.S. embassies in hundreds of countries.”

If Social Security were simplified to only retirement pensions and the only options were starting age and survivor benefits, there would be huge reductions in administrative needs. Even though Social Security offices also perform services for other agencies (politicians seem to love government agencies with cross-purposes), it would still be reasonable to expect administrative reductions of about 75 to 90 percent.

Simplification of benefits, ceasing payments to non-citizens, and using modern electronic communication methods would obviate the need for Social Security’s international operations in hundreds of U.S. embassies. Sorry folks, the all-expenses-paid trips to foreign countries will have to come to an end. Social Security is on life support and extravagances must be curtailed.

Expect a Cost-cutting Backlash

It’s one thing to show economically how America would be better off without Social Security, but accomplishing it politically is another. Previous attempts to cut Social Security have been met with severe backlashes. The liberal news media portrays anyone who wants to touch Social Security as callous cost-cutters hurting deserving people. It just seems so much more benevolent to delay the day of reckoning and throw future retirees under the bus via benefits rationing.

Why does Social Security have 1,400 offices? The knee-jerk answer is, “To better serve the public.” An analysis of politician’s speeches show they routinely brag about the jobs they bring into their districts, many of them government jobs in bloated agencies. How many of these 1,400 offices are already unnecessary and would become obviously unnecessary after benefits simplification? How many of these offices are staffed with unnecessary people just to make the powerful politicians happy? Only the people on the inside have even a clue.

Another sad fact of political life is that the jobs created by politicians, especially the make-work jobs and do-nothing jobs, are frequently used as a source of political fundraising, as these employees are encouraged to contribute to the political campaigns of the politicians who created their jobs.

The costs of the unnecessary offices and staff can also be used to political advantage. Every cost to the taxpayer is income to someone else. Whether it be rent, paper, computers, carpeting, window washing or lawn care, every cost to the taxpayers is an opportunity for a politician to barter with political favors.

The Final Phase-Out

The most difficult phase-out of Social Security would be the pensions. Most people have become dependent on government. They have paid taxes thinking the money was being put into some sort of savings account. The very existence of the Social Security Administration and the itemization of the



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Social Security taxes have created a psychological effect. The payments would need to be paid from the general fund.

The repayment of this money to the people who thought it was being put in a savings account should be publicly acknowledged as a debt to people who paid for one thing while the government delivered something else. It should be a monument to the high cost of unconstitutional government and an example to taxpayers not to do this again.

Unfortunately, the American people are currently not ready for this mindset change. They have been mentally prepared for the benevolent nanny state, so in order to implement a final phase-out the American people have to be mentally prepared for any alternatives. Educational groups such as The John Birch Society and the Mises Institute are teaching the hard truths of economics. Until more Americans understand those constitutionally and economically sound principles, voters will continue to believe Social Security can be saved via schemes such as benefits rationing.



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