



Social Security at 75

An ongoing discussion of innovations to keep the system functional is mandatory.

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Social Security turned 75 this month, and the occasion has brought hand-wringing about the future of the federal government's most popular program.

It has also brought welcome discussion of new ways to make Social Security functional — perhaps even hale and hearty - for generations to come. As is perhaps not widely enough understood, contributions into the Social Security Trust Fund have for years been used to underwrite federal debt. With tens of millions of baby boomers scheduled to retire in coming decades, the situation has become urgent in the view of many informed observers.

Last Sunday, The New York Times devoted almost a full page of its Sunday Opinion section to ideas from six policy-makers and scholars to help deal with this long-anticipated crisis.

Some of these are familiar: raising the minimum age for receiving Social Security benefits from 62, for example; or removing the salary cap of \$106,800 on employer contributions to the system. These two proposals have been part of the discussion in policy-wonk circles for years.

One idea that caught our attention came from Estelle James, a senior fellow with the National Center for Policy Analysis, a Dallas-based think tank with free market leanings.

James, a scholar with long experience studying the Chilean retirement system, recommended a strategy that has been successful in the South American country.

Chile has successfully encouraged older workers to remain on the job by dropping the requirement that they contribute to the retirement system after the age of 65. The result is a pay raise for the individual who continues to work and a savings for the retirement system, which does not have to pay his pension until later.

James proposes reducing the payroll tax on workers over 65 and eliminating other penalties for continuing to work as a way to keep older Americans in the workplace. This could amount to an instant raise of up to several hundred dollars per month for older workers at the higher end of the pay scale. And workers would, presumably, get to keep every penny. These extra dollars in the

paycheck would not be subject to additional taxation since Social Security contributions come out of earnings that have already been taxed.

This approach has the ring of common sense to us, particularly if the nation faces the labor shortages anticipated by many. As the author points out, such a plan would expand the tax base here while easing pressures on Social Security by lessening the numbers depositing benefit checks.

Social Security affects more Americans than just about any federal program. It is a promise to people in retirement that must be kept. Facing up to the need for changes and modifications as they become identified is the very definition of community and inter-generational responsibility.