

Re: Bush – Bad for Social Security

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From: bpvh (bpvhnews_at_yahoo.com)

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"SimMike-" <simmike@attbi.com> wrote in message
news:EiaUc.268936\$%_6.90255@attbi_s01...
> *This year the budget deficit is 440 billion dollars. Of this, 270
billion of
> this is specifically Bush tax cuts. So how do you think he is
financing his tax
> cuts? The answer is simple, he is either putting it on a credit card
for your
> children to pay, or just as likely, he is raiding the social
security fund.*

Yep, raiding the none existent trust fund.

There has not really been anything in the SS trust funds since day
1 -- well at least post 1983.

The cumulative debt the federal fund owes the SS trust funds through
fy 2003 is more than \$1.5 trillion. Taking into account fyrs
2002–2005 (not 2001–2004 as first fiscal year belongs to the former
president), which by then the cumulative debt owed will be more than
\$1.8 trillion, Bush will have added \$653.9 billion or so. [By the way,
fy 2001–2004 numbers are slightly better.]

During the Clinton administration, the federal fund was in deficit for
6 of the 8 years and so "borrowed" from the SS trust funds. In fact,
in 5 of the 8 years the federal fund "borrowed" the complete surplus
of the SS trust funds.

> *From fiscal years 1994 to 2001 (not 1993 to 2000 as first fiscal year
belongs to former president), the cumulative federal funds deficit was
\$734.4 billion while the cumulative SS trust funds surplus was about
\$800 billion. So during the Clinton administration, the federal fund
"borrowed" all but about \$65 billion of the SS surplus. [By the way,
the fy 1993 to 2000 numbers are much worse.]*

> *Since the social security tax is paid for predominantly by low and
middle class*

> *workers, Bush is in essence robbing from the poor to pay the rich.*
Bush is your
> *basic reverse–Robin Hood.*

Share of Social Insurance Tax Liabilities and Pretax Income Levels
(2001)

Quintile SS Share Income Avg Income Share

Lowest 4.2% \$ 14,900 4.2%

Second 10.3 34,200 9.2

Middle 16.0 51,500 14.2

Fourth 25.6 75,600 20.7

Highest 43.9 182,700 52.4

Cite: <http://www.cbo.gov/showdoc.cfm?index=5324&sequence=0>

Well, I guess it depends on your definition of middle class. The highest quintile is not middle class and paid 43.9% of SS taxes in 2001. The fourth quintile, part of which might be considered middle class, paid another 25.6%. Allocate half of that to above middle class and those above middle class paid more than 55% of SS taxes.

Clearly the SS tax is regressive. Also, federal fund (general fund) expenditures should be funded by the progressive income tax. So, when the time comes to fix SS again, it must first be repaid by the federal fund through the progressive income tax. Only after repayment should SS tax increases be considered.

Another thing to consider about SS is who are its recipients. I took a quick look around and found this 1998 study from the US Census. The study includes disability payments as well. If anyone has more recent numbers or numbers by income quintile, I would appreciate it.

Table 1

Annual Redistribution from the US Social Security System for 1998

Family Income excluding SS benefits relative to Poverty Threshold

Group OASDI benefits \$ OASDI benefits %

Less than 50% \$125B 33.33%

50% to 100% 48 12.80

100% to 200% 71 18.93

200% to 300% 43 11.47

More than 300% 88 23.47

Cite:

<http://www.ces.census.gov/paper.php?paper=101645&PHPSESSID=838fec06e9652892337cde662d45ed5a>
<http://tinyurl.com/48lov>

–bpvh

> "*SimMike–*" <simmike@attbi.com> wrote in message news:...

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http://seattletimes.nwsources.com/html/nationworld/2001867864_lockbox29.html

> >
> > *By David Cay Johnston*
> > *The New York Times*
> >
> > *A historical element was forgotten in the rush of news surrounding*
Federal
> > *Reserve Chairman Alan Greenspan's opinion voiced last week that*
Social
> *Security*
> > *benefits are going to have to be cut.*
> >
> > *It dates back 21 years to events that catapulted Greenspan into*
national
> > *prominence and led to his becoming Fed chairman.*
> >
> > *Since 1983, American workers have been paying more into Social*
Security than
> *it*
> > *has paid out in benefits, about \$1.8 trillion more, so far. This*
year
> *Americans*
> > *will pay about 50 percent more in Social Security taxes than the*
government
> *will*
> > *pay out in benefits.*
> >
> > *Those higher taxes were imposed at the urging of Greenspan, who*
was chairman
> *of*
> > *a bipartisan commission that in 1983 said that one way to make*
sure Social
> > *Security remains solvent once the baby boomers reached retirement*
age was to
> *tax*
> > *them in advance.*
> >
> > *On Greenspan's recommendation, Social Security was converted from*
a
> > *pay-as-you-go system to one in which taxes are collected in*
advance. After
> > *Congress adopted the plan, Greenspan rose to become chairman of*
the Fed.
> >
> > *So what has happened to that \$1.8 trillion? The advance payments*
have all been
> > *spent.*
> >
> > *Congress did not lock away the Social Security surplus, as many*
Americans
> > *believe. Instead, it borrowed the surplus, replacing the cash with*
Treasury

> > *notes, and spent the loan proceeds paying the ordinary expenses of*
running the
> > *federal government.*
> >
> > *Only twice, in 1999 and 2000, has Congress balanced the federal*
budget without
> > *borrowing from the surplus.*
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