Social Security As FDR Defined It

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This is adapted from New Federalist *newspaper, Dec. 20, 2004.*

When President Franklin D. Roosevelt signed the Social Security Act into law on Aug. 14, 1935, only a relative handful of citizens were covered by private pension funds. If you weren't wealthy, or didn't have an extended family with means, there was no place that you or your family could turn to if you were in economic distress, except charity. Most Americans faced a future full of economic hardship and uncertainty, and a "poverty-ridden old age," to use FDR's apt description.

Franklin D. Roosevelt

Today, thanks to FDR's commitment to the principle of the General Welfare, one in six Americans—nearly 46 million people—receive a Social Security benefit. Social Security is more than a monthly check at retirement age. Nearly one in three beneficiaries are not retirees; such people receive disability benfits, including benefits for the blind. In addition, the Social Security Administration dispenses to the state, monies to cover unemployment benefits, while also administering funding for the Medicare and Medicaid programs.

Since the 1970s, the Social Security Administration has administered Supplemental Security Income (SSI)—the Federal component of what is commonly called welfare. More than 6.5 million people are still covered by these programs, despite efforts by the type of people who are now pushing President Bush's privatization looting schemes to reduce or eliminate such commitments. Of the more than 6.5 million SSI recipients, 31% are aged, 56% disabled, and 31% disabled children, according to the Social Security Administration.

And, it is still the case that Social Security represents the only source of retirement pension income for the vast majority of Americans.

In 2002, more than $453 billion was spent on Social Security benefits, and another nearly $38 billion on SSI benefits. This total amounts to approximately 5% of the total Gross Domestic Product of the United States.

How the Program Works

In crafting the proposal, FDR and his team, headed by Labor Secretary Frances Perkins, designed the funding to make explicit his concept of the program's expression of the General Welfare principle. Rather than have a portion of the employee's paycheck set aside, to pay for future benefits of that employee and that employee alone, the tax on the paycheck would be appropriated into a "trust fund" that would finance the entire program without additional expense from the general budget; the employee's contribution was to be matched by an equal contribution from the employer. And most important, the control of these trust funds was to be in the hands of the federal government and the federal government only.

At the time, this tax was highly controversial and the subject of attack by various financial and business groups. Roosevelt countered that this was "fair," since the employer's well-being and wealth had been created by the labor of his employee; such employers now had an obligation to help provide for the economic security of those who created their wealth.

Taxation levels were to be set high enough to assure that funds were available not merely to pay for those contributing, but to cover those who would become eligible, although they had not made any payments because the program either didn't exist yet or, because they might come to this country as immigrants. They were also set at levels that would assure that monies would be sufficient to cover current benefit payouts and the costs of the administration of the program, while also creating a surplus. In that way, the current generations were paying for their grandparents' and parents' generations, as well as for their children, and their children's children.

Whatever else the Bush privatization looting scheme does, it smashes this transfinite sense of responsibility for past and future generations' General Welfare, appealing to the more limited and selfish sense of one's relationship to immediate family—for "me and mine."

FDR educated citizens that their survivability and the survivability of the nation were bound as one; that each American was responsible for the welfare of all Americans, and that *their government had a sacred duty to act to mediate this shared responsibility and trust.*

It Really Does Work!

Despite the Bush people's claims to the contrary, Social Security has worked remarkably well. Overall, it has collected more than $4.5 trillion and paid out over the years more than $4 trillion, which means it should have a surplus, even now. This is even more astounding considering that, in general, Social Security pays out far more money to a beneficiary than the beneficiary and his or her employers contribute, as well as since 1950, paying Cost of Living Adjustments based on calculations of the impact of inflation. This has been accomplished by tweaking the tax rate, raising it when necessary.

As various studies have pointed out, Bush is lying when he says that the system won't be able to cover its payouts in the middle of the next decade. But there is a problem, coming some years down the line, perhaps 35 to 50 or more years from now, *if there are no changes made during that time.*

That problem is caused by a number of factors, none of which is corrected by the Bush looting scheme. First, and most important, the post industrial paradigm shift, which has brought the world economy and financial system to the brink of total collapse, has created a much larger number of so-called "self-employed" workers—workers whose employers are not required to make contributions. This has reduced the total contribution for such jobs by 50%. In addition, the growth of the "underground economy," where no contributions are made by anyone, has also reduced current income streams. Further, we have had the "raiding" of the Trust Fund, starting in the 1980s, by several Administrations of both parties, reducing the available surplus. Although there is a promise to pay such funds back, it remains unclear both how and when this might take place.

Meanwhile, the U.S. population is rising faster than in the recent past, shattering some estimates about the numbers of people to be covered in the future.

In the past, projected fund shortages could be "fixed" relatively easily by adjusting the tax rate higher. Even today, its tax rate (6.2%) is lower than rates in the 1970s. However, merely tweaking the tax rate would not be sufficient to guarantee the program far down the line, given the structural problems created by the above cited post-industrial shift. Instead, those problems must be addressed as the world's leading physical economist Lyndon LaRouche has proposed—with a thorough reversal of the post-industrial program and a return to the principles embodied in FDR's New Deal.

Above all, we must defeat the Bush assault on those principles through his privatization scheme. FDR had warned that some people might try to "monkey" with these funds. For that reason he demanded that they must remain under the full control of the Federal government." In his Message to Congress, Jan. 17, 1935, Roosevelt warned, ". . . [S]ound financial management of the funds and the reserves, and the protection of the credit structure of the nation should be assured by retaining federal control over all funds through the trustees in the Treasury of the United States." According to his Labor Secretary, Francis Perkins, FDR feared that, Wall Street "Tories," seeing the growing size of the fund, would find a way to insert themselves into the process, to loot it.

It were well that we heeded Roosevelt's wise counsel.