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The Financial Squeeze On The U.S. Worker

Social Security, Welfare, Jobs, Savings

The latest in the series of financial shocks administered to the American worker came on January 24 when a government advisory panel announced that the Social Security system is broke and needs major surgery or transfusions from current tax revenues to keep it solvent. Among the suggestions advanced to solve this dilemma are: (1) subsidize Social Security from general income tax receipts, starting with $7 billion next year, (2) raise Social Security payroll taxes again, both in percentage tax and in base of taxable income, and (3) raise the retirement age from 65 to 68. (If this were changed, women could be allowed to retire at a lower age *only* if the proposed Equal Rights Amendment is rejected.)

What has been the fastest-growing item in the American worker's family budget? Food? Wrong. Gasoline and fuel? Wrong again. Medical costs? Still wrong. Housing? You're not even getting warm.

The answer is taxes. Federal taxes, state taxes, local taxes, school taxes, and especially Social Security taxes. Altogether, taxes increased 65 percent between the spring of 1967 and the autumn of 1973, whereas the overall increase for all items in the budget was 40 percent.

Most people erroneously believe that, when Social Security is deducted from their wages, this money is set aside for their benefits after retirement. This is not true. Social Security is administered on a pay-as-you-go basis. All benefits to senior citizens are paid out of current contributions by younger workers. The whole system was predicated on the assumption that, with an expanding population, there would always be many more workers paying into the system than retired people drawing benefits.

Back in 1940, there were 146 working contributors for every beneficiary. By 1947, this was reduced to 22. By 1957, this was reduced further to six. At the present time, there are less than three working contributors for every one collecting benefits.

Now that we have declined to Zero Population Growth, the prospects for the next generation are that we will fast become a nation of old people. The percentage of people in the over-65 age group, especially with better medical care and longer life expectancy, will increase rapidly. It won't take very long for us to reach a one-to-one ratio; that is, every American who works will be paying the benefits of another person who doesn't work.

High Cost of Social Security

Of all government programs, the most immune from Congressional criticism is Social Security. When a Congressman is tempted to suggest improvements, he is stopped in his tracks by the memory of what happened to Barry Goldwater in 1964. For suggesting that it might be made voluntary, he was made the target of vicious television spots showing a Social Security card being torn up.

Our democratic government, however, can function only if all government programs are subjected to the scrutiny of a prying press and an alert public. It does no good for anyone if any program is treated like a sacred cow and put off limits to such critical examination. It is a good sign, therefore, that a recent series of newspaper articles has exposed many of the injustices in Social Security.

Despite a few minor errors, these articles prove that, by the time today's younger worker is ready to retire, he will have lost a fortune to the Social Security system. It takes from the younger worker for retirement three times as much as a private insurance company would charge for the same kind of insurance and disability protection. Dozens of actual typical cases are provided which show how much more you would get if you put the same money in private insurance.

University of Chicago economist Milton Friedman has confirmed this and stated that Social Security is "a crushing defeat for the average wage earner" who could buy the same retirement plan from a private insurance company "for one-third the price."

A spokesman for the Illinois Department of Insurance said that if a private company tried to sell a plan like Social Security, which costs the young worker so much and pays him back so little, it would quickly be put out of business as a fraud on the public.

During the last 20 years, Social Security taxes have gone up more than ten times the cost of living. But benefits have risen less than one-third of the tax rise. What happens to the difference? Obviously, that is the cost of the bureaucracy, and the inherent inefficiency of a governmental monopoly.

This new expose of Social Security received some unexpected corroboration directly from the advisers of the Social Security system itself. They filed a report stating that, beginning all too soon, the system will be

paying out more in benefits than it will be taking in. Unlike insurance companies, Social Security does not have a required reserve and, when it pays out more than it takes in, it will go broke.

A critical look at Social Security is long overdue. I hope the subject can be rationally debated without accusations that anyone is trying to abolish the system. Only if we face up to the statistical facts about Social Security can we make the system fair to those who are paying the high Social Security taxes.

The Penalty of Taking a Job

One feature of the Social Security Law is particularly unjust to more than 2½ million citizens between the ages of 65 and 72.

A person over 65 who takes a job in order to stay above a poverty level cannot work without being severely penalized. He must forfeit $1 of Social Security for every $2 over $2,400 a year which he earns. If he earns enough to live reasonably well, then Social Security is cut out entirely.

But that is not all. Whereas the over-65 person ought to receive whole, untaxed dollars from Social Security, his earned dollars are subject to federal, state and local taxes, plus Social Security taxes to finance the Social Security benefits which he is not receiving. A wealthy person over 65, on the other hand, may draw a large income from his investments and at the same time receive his full Social Security checks.

It is wrong to deprive the over-65 worker of his Social Security check. Social Security is not a gift of the Federal Government. It has been earned by the worker and given to the Government in trust to be repaid at age 65.

Social Security beneficiaries are not objects of charity. They are not on welfare or wards of the Government. They are self-respecting Americans who have paid for the benefits they thought they would receive when they retired. They are entitled to receive their Social Security payments as a matter of right.

The federal government has had the use of all these Social Security payments for all the years the worker paid into the system. Had the worker been permitted to retain these deductions, he could have earned interest on them.

Our citizens were given the impression that Social Security was a form of forced saving operated on sound insurance principles, with the money put aside, where we supposed it was collecting interest, so we would get it back at age 65. It was no such thing, of course. It was and is a tax.

The greatest of all injustices to our senior citizens is government-caused inflation, which has so badly reduced the value of their savings. Raising Social Security benefits is no answer at all for the 2½ million working citizens over 65 whose Social Security benefits are deliberately reduced or cut out entirely because they have a job.

Congress should repeal the Social Security earnings limitation. It is time to stop penalizing our thrifty, hard-working senior citizens.

Compulsory vs. Voluntary Retirement

The passage of the 1974 Pension Law rightly focused attention on the problems of our senior citizens. It is good that workers will now be guaranteed against loss of the pensions they have paid for.

Since the passage of the Social Security Act, retirement at age 65 has generally become mandatory throughout the business world. Some companies enforce an even earlier retirement, down to age 60. Social Security has conditioned us to believe that everyone is on the shelf at age 65. The psychological effect reaches even farther. Ten years before retirement, many people start to coast downhill because they think it isn't worth trying to climb any more.

With the average age of our population going up every year because of the decline in our birth rate, and with the advances in medical science that have extended our lifespan, and with the shrinking number of young workers available to carry Social Security and other pension plans on their backs, it is time that we do some innovative thinking about the productive potential of people over 65.

When we compare the business world with the entertainment world where there is no mandatory retirement age, men and women over 65 seem to retain their youthful appearance and their stamina. Among those who work a 12- to 14-hour day, on an energetic schedule that would be a grind at any age, are Bob Hope at 71, Henry Fonda at 69, John Wayne at 67, Lawrence Welk at 71, Helen Hayes at 73, and Gloria Swanson at 74.

A continuing capacity for hard work seems to come primarily from a stay-young attitude toward life and a commitment to work instead of to retirement. Some who tried retirement, such as Robert Young and Fred Astaire, are glad to have retired from the boredom of retirement and stepped back -- at ages 67 and 74, respectively -- into the harness of hard work. Both men said retirement was the most miserable period of their lives.

Jack Benny, who said he was 39 for the last 40 years of his life because he considered that to be the "maximum age of youth," said shortly before his death at 80: "I actually do feel I'm 39 years old -- and that feeling is what's kept me young." Bob Hope, who puts in a 16-hour day when he is doing a tour, thinks it is important to "walk tall" and keep your posture up.

James Cagney, in his seventies, tap dances every day and thinks we should all "work out enough to get out of breath two or three times a day." Buddy Ebsen at 65 is an active skier and says "retirement represents the pinnacle of boredom." Mae West credits her vitality to good living and good food, doesn't smoke or drink, and at age 82 works out with an exercise bicycle and walking machine.

It is possible that we might be doing more for the health and happiness of our senior citizens if we offered them the opportunity to continue in gainful employment rather than compel them to accept mandatory retirement on a pension in dollars that buy less and less every year.

The Fabulous Larry Lewis

Another striking example of an energetic senior citizen was my good friend Larry Lewis who died last year at age 106. He was born in 1867 -- when Andrew Johnson was in the White House. He used to say that "Retirement is the biggest mistake that business -- and individuals -- can make."

Larry spent his 106th birthday just like any other working day. In his home in San Francisco, he would rise every morning at 4:00 a.m., run 6½ miles through Golden Gate Park, and then walk to work.

Larry's fabulous career began at age 15 when he joined the P. T. Barnum Circus and became a flying trapeze star. Ten years later, he joined Houdini, the famous magician and escape artist, with whom he worked for 33 years. Houdini died in Larry's arms in 1927.

At age 80, Larry Lewis started a new career as a waiter at the St. Francis Hotel in San Francisco. He always ran his usual 6½ miles each morning before reporting for a

full day's work as a waiter. When Larry was 97, he was hit by a truck as he was crossing the street. The truck driver was killed. Larry had six fractures, but recovered. Three months later, he resumed his daily morning run.

At 105, Larry started another new career as a good will ambassador for the Western International Employment Services. Within the year, he logged 30,000 miles in his travels to the company's offices in this country and abroad.

Larry Lewis's secret for living a long and happy life was hard work, running 6½ miles and drinking many glasses of water every day, avoiding alcohol, tobacco and heavy meals. Most of all, it was planning never to retire.

Is Our Welfare System Immoral?

Everybody knows that our welfare system is horribly costly to the American taxpayers. The question we must now ask ourselves is, is it immoral, too? A welfare system becomes immoral when it provides financial incentives to the recipient to avoid getting a job, when it promotes violations of the moral law, and when it is a social injustice to the hardworking taxpayers.

A recent Congressional Subcommittee study indicates that our present welfare system has crossed the line on all three counts. This study shows that the welfare program provides financial incentives for low income families to break up, for couples NOT to marry, for a woman without a husband to have a baby, and for those on welfare to avoid getting jobs.

Although welfare benefits vary from state to state, the Congressional study shows that the "average amount potentially available to the fatherless welfare family begins to compare favorably with what people earn." If an unemployed father deserts, his family increases its annual income (counting both cash and food benefits) by about one-third, plus housing benefits and free health care. This monetary gain ranges from $1,004 for a one-child family to $1,318 for a three-child family. Housing benefits could add as much as $400.

An unemployed childless woman can almost double her benefits by having her first child. The unemployed welfare mother of three can gross 10 percent more than the average wage for all women workers. An unemployed welfare mother of three (receiving cash, food, and housing benefits) could receive an average of $4,759, which is equal to about $5,006 in taxable income. This is more than is earned by 30 percent of all women working full-time.

Such a system is unfair to the taxpayers who are forced to provide a better standard of living to the welfare recipients than the taxpayers have themselves. It is also unjust to put welfare recipients in a predicament where they find it financially profitable to persist in a life of dependency or sin, rather than taking the hard road of getting a job and becoming self-supporting.

One answer to the welfare problem, therefore, is to take the profit out of welfare benefits so that there is a real incentive to find some kind of job and be self-supporting.

A second answer is to eliminate error and fraud. HEW Secretary Caspar Weinberger began a national error-reduction drive in 1973 that is said to be producing results. He claimed that the overall rate for three kinds of payment errors has been lowered from 41.1 percent to 37.9 percent.

An HEW survey showed that nine percent of welfare recipients are ineligible for payments they are now receiving, and another 21 percent are receiving overpayments. AFDC now costs Federal and state taxpayers about $8 billion per year. If Secretary Weinberger's goals are met, we could save about $600 million annually.

The almost unlimited potential for cheating in welfare is indicated by the Chicago woman who was charged with grand larceny as a result of allegedly having bilked the Illinois Public Aid Department of an estimated $100,000 a year through fraudulent welfare claims. While receiving welfare checks, before she fled the state, she owned three 1974 automotiles -- a Cadillac, a Lincoln, and a Chevrolet.

The Absent Father Problem

A third answer to the welfare problem is to enforce the state laws that make it the obligation of a father to support his minor children. The so-called "absent fathers" do a disappearing act and thereby throw their families on the welfare rolls. There are an estimated 50,000 absent fathers in New York City alone.

Sometimes these fathers have good jobs and are even claiming their deserted children as tax deductions. Sometimes these fathers are actually in the homes they are alleged to have deserted. U.S. Welfare Commissioner Robert Carleson estimates that the absent fathers have already cost the taxpayers some $2 billion.

Most of the absent fathers can be easily traced if authorities choose to do so. It is a simple matter to locate the father who has allegedly deserted. A quick check through his Social Security number will reveal where he is working, anywhere in the country.

The laws of every state make it the obligation of the father to support his wife and children, and it is neither just nor generous to permit the cheaters to avoid obeying the law while conscientious fathers faithfully fulfill their duty. It is encouraging to note that, within the past year for the first time, HEW has adopted a policy of going after the deserting fathers, instead of just doling out the benefits without asking any questions.

Governor Ronald Reagan's welfare department in California provided a good model for welfare reform. Fradulent payments and overpayments were estimated to be about 20 percent of all welfare payments until the California department instituted administrative reforms, such as a questionnaire requiring more complete information. The California welfare department also cut costs by going after the absent fathers and other responsible relatives. For years the illusion persisted that the absent fathers could not be found because they had probably fled to another state. California found that most fathers were still in the area and could be located.

Much as we all hate to pay taxes, most people do support a strict enforcement of the tax laws by the Internal Revenue Service. If we do not have a strict enforcement of the tax laws, then we will have a situation under which the chronic cheaters will get by with less taxes than they should pay, but the conscientious taxpayers who pay in full will end up paying proportionately more than their fair share.

Just as in taxes, when some cheat it shifts a greater burden onto the backs of the honest and the conscientious. Crooks are present in every occupation, and welfare is no exception. It makes sense to administer welfare on the assumption that, when things are handed out free, there are always some people who try to take what they are not entitled to.

The best welfare reform would be to eliminate fraud and criminal neglect by a strict enforcement of the laws now in existence. Welfare fraud is too costly to the taxpayers to allow it to continue.

Illegal Aliens and Unemployment

Attorney General William B. Saxbe, shortly before he left the Justice Department, stated that, if the U.S. Immigration and Naturalization Service were given an additional $50 million appropriation, it could round up and deport one million illegal aliens now in the United States.

That sounds like the easiest and cheapest way to solve the unemployment problem for one million American citizens, and there is no time to waste in giving the Justice Department the opportunity to prove it can be done.

The "torrent" of job-seeking aliens entering our country illegally, according to Saxbe, constitutes "one of the great migrations of our time." Illegal migration is now ten times greater than a decade ago. Last year, the United States caught and deported 800,000 illegal aliens, that is, as many as the entire population of Washington, D.C. Yet the U.S. Immigration and Naturalization Service concedes that, for every illegal caught, two or three escape detection.

The total of illegal aliens already living in the United States is now somewhere between seven and 13 million, with most estimates around eight million. They hold jobs that could be held by American citizens. The AFL-CIO estimates the annual wage loss to U.S. workers at more than $10 billion.

Few if any illegals file income tax returns, and they pay little if any taxes. Large sums of this untaxed money are mailed out of the United States to support the families of illegal aliens in their native countries. Yet inside the United States, the illegal aliens receive our tax-supported social services including welfare, unemployment benefits, and free or subsidized medical care. Their children are educated at public schools.

When authorities recently broke up a couple of smuggling rings concentrating on Chinese-Oriental and Italian aliens, they found them extorting fees from the aliens ranging from $200 to $2,000, depending on the services provided, distance traveled, phony papers supplied, and housing and jobs provided. Last year, U.S. Customs and the Immigration and Naturalization Service took more than 200,000 pounds of marijuana from illegal aliens, most of it seized at the point of entry.

All this is not to say that illegal aliens have an easy life in America. Most of them are industrious and hardworking people who enter the United States for the purpose of earning wages and sending home their savings. Their fugitive existence makes them vulnerable to employers who underpay and overwork them, to landlords who overcharge them, to smuggling rings that demand exorbitant fees for phony documents and other covers, and to unscrupulous con men who pose as "immigration specialists."

Nevertheless, illegal aliens hold jobs that could be filled by American citizens. We should provide the U.S. Immigration and Naturalization Service with whatever additional funds it needs to enforce our immigration laws and thereby open up the one million jobs in industry, agriculture, and services, that we so badly need today.

Why Jobs and Credit Are Scarce

Just before gold went on sale in the United States for the first time in 40 years, Chairman Arthur Burns of the Federal Reserve System criticized those Americans who bought or planned to buy gold.

He said that buying gold could divert dangerously large sums from credit markets at the very time when the high price of money is already hurting industries that depend on credit, such as homebuilding and commercial banking. Chairman Burns said that gold buying might also cause a shortage of funds in the bond market where business firms raise their capital for new projects and plants that in turn create new jobs.

The man who issued these dire warnings is the same Federal Reserve Chairman Burns who maintains a stony silence in the face of the chief causes of our capital shortage, namely, the Government policies that encourage sending billions of badly needed American dollars behind the Iron Curtain to build the world's largest truck plant, the world's largest fertilizer factory, the world's largest tanker shipyard, and to finance the world's largest grain purchases.

Nor does Dr. Burns ever criticize the Overseas Private Investment Corporation which spends hundreds of millions of American tax dollars to repay businesses for losses they suffer on their investments and plants in foreign countries.

It costs tens of thousands of dollars in tools, machinery and equipment to create a single job. The reason why investment capital is so short in the United States today is not because a few Americans are trying to protect some of their savings by buying gold, but because of the policies that drain our pockets to build factories overseas.

AFL-CIO chief George Meany does not have the economic degrees that Dr. Burns has, but Meany has something better than degrees, common sense. His recent statements show a clear understanding of why we face a shortage of jobs, investment capital, and mortgage money for homebuilding. He knows that when our government lends money to U.S. businesses to build factories in Russia and other Iron Curtain countries, many American jobs are lost.

To add to our economic miseries, we are now told that the Federal deficits during the current and next fiscal year will amount to $80 billion. This year's deficit will be more than twice as large as was predicted only two months ago, and next year's deficit will be the largest in peacetime history. These deficits are the handwriting on the wall of a further depreciation of our dollar.

American gold buyers are merely trying to protect their life savings from the inflation caused by the money policies of Dr. Burns and the Administration he supports. Maybe there is a better investment than gold, but it certainly is not the Federal Reserve dollars now suffering from double-digit inflation.

The Big Government liberals must take the responsibility for an insolvent Social Security system, a fraud-ridden welfare system, and the policy of jobs for aliens and foreigners rather than Americans. The result of this tax-and-spend policy is to cheat the thrifty, hardworking Americans and to reward those who are unproductive and irresponsible. When will the U.S. taxpayers wake up and pull the politicians' fingers out of our pockets?

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