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SOCIAL SECURITY CRISIS

While President Carter was enjoying luxurious living at the Claridge Hotel in London, Vice President Mondale took on the unpleasant task of telling the American people the facts of life about Social Security. The system is running out of money.

For decades, the Federal spenders have been concealing the fiscal unsoundness of Social Security, and trying to smear everyone who pointed out its defects or made constructive suggestions. Now the day of reckoning is coming fast, and the politicians realize that they can't pay benefits in promises instead of cash.

The Carter Administration proposal is to raise Social Security taxes much higher even than the increased rates that are already scheduled to go into effect. But that isn't enough. The Carter proposal also calls for a massive transfusion of $14 billion diverted from general revenues which are already / swimming in red ink.

Most people erroneously believe that, when Social Security taxes are 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-out-as-we-take-in basis. All benefits to senior citizens are paid out of current taxes on younger workers.

When Social Security was set up, it was not structured on sound insurance and actuarial principles. It was set up on the false assumption that there would always be many more workers paying into the system than retired people drawing benefits.

Social Security was thus made dependent on a high birth rate that constantly brings new workers into the system. When the American birthArate took a dramatic nose dive and life expectancy lengthened, the cash inflow could not keep pace with the cash outflow.

Back in 1940, there were 146 working contributors for every beneficiary.

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By 1947 this was reduced to 22 working contributors for every beneficiary. By 1957 this was reduced further to six. Now there are fewer than three working contributors for every one collecting benefits.

The percentage of people in the over-65 age group, especially with better medical care and longer life expectancy, will continue to increase. It is easy to see that just around the corner, we will reach a one-to-one ratio in Social Security; that is, every American who has a job will be paying the benefits of another person who doesn't.

The second defect in Social Security is the inherent inefficiency of bureaucracy and government monopoly. No wonder Social Security taxes have gone up ten times the cost of living, while benefits have risen less than one-third of the tax rise!

The third defect in Social Security is its basic inequity to younger workers. By the time today's younger worker is ready to retire, he will have paid into Social Security three times as much as a private insurance company would charge for the same kind of insurance and disability protection.

For 40 years, Social Security has been living in a privileged sanctuary, virtually immune from public criticism. Our democratic government, however, can function only if all government programs are subjected to the scrutiny of a prying press, a vigilant Congress, and an alert public. This applies to Social Security as much as to any other Federal agency.

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