The Post and Courier

Act to protect Social Security disability plan

BY ROBERTSON H. WENDT
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Alarmist statements that Social Security's disability program is about to fail are simplistic and counterproductive because they incorrectly suggest that the program can't be fixed.

As an attorney who has practiced Social Security disability law for nearly 30 years, I recognize that the program has serious problems that demand our attention. The fact is that aging baby boomers and laid-off workers with medical problems are flooding Social Security's disability program, taxing an already financially challenged system, and threatening the future benefits of millions of Americans

It is imperative that we as a nation address this problem now, and as past experience has demonstrated, we are fully capable of fixing Social Security as long as level heads prevail.

In 1982 Social Security faced a similar financial crisis and hotheads were calling to slash Social Security benefits in order to fix it. But President Ronald Reagan knew better. He refused to go along with radical doomsday proposals and instead showed the good sense to appoint an objective technical expert, economist Alan Greenspan, to chair a commission to fix Social Security. And fix it they did, using a combination of tax hikes and benefit cuts. No drastic immediate changes were made. The pain was spread out over time and in a way that no one was hit too hard all at once. The public trusted Reagan and went along with the fix even though they knew little about many of the details. That fix has held us in good stead for almost 30 years, and would have been good for another 20, but when the economy tanked, the Reagan/Greenspan fix went down too.

So now we're in need of another fix, and once again it should involve a series of technical changes that would be phased in over time, not hitting anyone too hard or all at once. As before, the most sensible solutions would not be easily explainable to the general public in a simple sound bite.

Is it possible in the toxic political environment of today to pull this off again? Let's hope so. In order to do it we need to send proven, competent, and practical people to Washington.

We don't need leaders from any one political party, just those who are intelligent and level-headed enough to work through the complex issues and who are more concerned with the welfare of our nation than their own re-election.

Founded over 75 years ago, the Social Security system has been a remarkable government achievement, improving the lives of millions of American workers and their families.

We owe it to all Americans to ensure that Social Security will be there to help them and their families when they need it the most.

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Post + Courier

Reforms can still preserve Social Security

BY ROBERTSON H. WENDT JR.

With a dose of determination and innovation, we can reform Social Security.

The recent Post and Courier editorial "Social Security insecurity" makes some important points — that Congress must reform Social Security soon to ensure its long-term solvency, and yet the current Congress is so polarized it is unlikely to make the compromises necessary to achieve such reform.



Wendt

But the dire description of the solvency problem — that the retirement fund will be empty by 2037 and the disability fund kaput by 2017 — may suggest to some that the system is beyond repair. It's right to raise the alarm for urgent action by Congress, but we should be careful not to suggest that we are incapable of solving the problem.

Many are under the impression that if the Social Security trust funds were exhausted all benefits would suddenly stop, but this is a misconception. Social Security is a pay-as-you-go system whereby today's benefits are paid with today's Social Security taxes.

For many years, Social Security built up a large trust fund by taking in more in taxes than it paid out in benefits in order to have enough to pay for the baby boomers to retire. As a result, the Social Security taxes collected today are no longer enough to pay all of the benefits, requiring Social Security to draw on the retirement trust fund.

If Congress did nothing to reform the system, Social Security taxes would still be enough to pay 77 percent of scheduled benefits in 2037 when the trust fund is expected to be exhausted.

If Congress decided to fund the Social Security deficit through tax increases on current workers and employers with no reduction of benefits, it would have to increase the Social Security tax by 2.22 percent under the current contribution formula. For the average worker who in 2011 earned $43,518, that would mean an annual tax increase of $483 for the wage earner and the same amount for the employer.

This is not to say that hitting American workers and their employers with a 2.22 percent tax increase is OK — because it's not.

The point is that bringing Social Security back into long-term actuarial balance is not an impossible task, particularly if action is taken soon and if both tax increases and benefit cuts are part of the equation. Even if tax increases are required, there are numerous options for increasing revenue without imposing higher payroll taxes on middle class and low income workers who are already struggling to make ends meet.

The biggest obstacle to achieving long-term solvency of the Social Security system may be our inability to look beyond tax-rate increases or benefit cuts as the only possible solutions. We should recognize that the recovery of both our economy and the wages of the middle class could drastically change the calculus of Social Security reform.

Social Security is funded by taxes on wages earned by ordinary American workers — not on stock dividends and capital gains, which are the primary sources of income for our wealthiest citizens. Our highest wage earners pay no Social Security taxes on earnings over $110,100.

As currently designed, the burden of Social Security taxes falls squarely on the shoulders of the middle class whose real wages have declined over recent decades and who are now suffering from high unemployment.

If our economy recovers, the unemployed return to work, and middle class wages begin to rise as they did after World War II, Social Security could generate enough revenue to significantly reduce the projected deficits.

Growing our economy and restoring the prosperity of the middle class may have a bigger impact on Social Security solvency than enacting benefit cuts and tax rate increases — neither of which Americans want or should endure unless absolutely necessary.

We should continue to sound the alarm for Social Security reform. But we should also make it clear that reform is neither an impossible nor an improbable task.

Rather than give in to resignation, we instead should rely on those quintessential American traits — determination and innovation — to meet the challenges ahead.

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