Staff photo by Chuck Chapman

Cheaper than gas

George Rowe demonstrates how he combats the rising price of gasoline and the size of Texas A&M University in front of the Memorial Student Center Wednesday. Rowe says that his dog, Jessica, probably costs more to fill up and maintain than his car.

Congress must act to save Social Security from ruin

United Press International

WASHINGTON — Social Security, the Depression-era retirement innovation that has grown into the largest federal program, faces bankruptcy unless Congress makes some difficult decisions it would rather avoid.

The choice for lawmakers in this time of tight budgets is not pleasant — reduce benefits, limit recipients, raise taxes or, quite possibly, some combination of the three.

What began in 1935 as the government's first venture into social welfare — modeled after Germany's now century-old system — has because of inflation and bureaucratic growth become the largest single item in the federal budget.

The problem is that more money is flowing out of the Social Security system than is coming in. For every $10 paid out in benefits, it collects only $9.50 in taxes.

The job facing Congress is to balance the Social Security books. And it must decide whether to reverse the trend in recent years of placing more and more welfare programs under the Social Security Administration.

No longer is it solely a program, as conceived by the New Deal, to help old folks retire with dignity. Now, beneficiaries include spouses, children and disabled persons.

More than 36 million Americans will collect $136 billion from Social Security this year. The maximum monthly benefit for a worker retiring at age 65 in 1980 was $553.30. The average check paid such workers was $283.

Lawmakers almost certainly cannot eliminate the Social Security deficit without making some people unhappy.

So, Congress seems ready to approve whatever unpopular measures it must to ensure that Social Security does not run out of money — a calamity experts foresee occurring by 1983 unless something is done to prevent it. They also agree the system faces even more serious financing problems next century.

Two factors make a solution to the Social Security crisis even more difficult: the troubled economy and the declining birth rate. Both mean reduced revenues with which to pay the benefits.

Secretary Richard Schweiker of the Department of Health and Human Services, which has jurisdiction over the Social Security Administration, forecasts a time of "hard choices, some unpopular decisions and some difficult trade-offs."

"There are no easy answers," says Schweiker. The final solution, he says, will have to be "tough medicine."

The list of distasteful considerations ranges from reducing benefits to using general tax revenues to make up the deficit, and in between there is the possibility of extending the retirement age.

"We've been wrapping up the Social Security system in bailing wire for years," said Rep. Barber Conable, D-N.Y., a member of the House Ways and Means Committee that must propose legislation to keep benefits flowing. "This problem threatens to ultimately result in generational warfare between the young and the old."

It will almost certainly generate political warfare. Democrats have championed benefit increases. Republicans generally have provided what opposition there was.

Democrats, although outnumbered in the Senate, control the House, where all tax legislation must originate.

"Changes coming will be made by my subcommittee," insists Rep. J. J. Pickle, D-Texas, chairman of the Social Security subcommittee that will actually write the bill.

"This bill is not going to be written at the White House. It is not going to written by (Budget Director) Dave Stockman or Richard Schweiker."

Pickle's counterpart in the Senate is Bill Armstrong, a conservative Colorado Republican with close ties to the White House and Schweiker.

"Either we find a way to reduce the cost of the program or increase the tax burden or someone is going to pull a rabbit out of the hat," says Armstrong.

The long-range solution will involve reducing the number of people getting benefits. That will probably mean raising the retirement age, either through a change in the law or incentives to persuade people to work longer.

There are also two thorny political questions: How lawmakers can require participation by the public, but not federal workers? What about the status of women?

All agree women are discriminated against by the present law, but it would cost money to remedy this at a time when the emphasis is on cutting spending.

Since its inception during Franklin Roosevelt's New Deal, the retirement and survivors program has been supported by payroll taxes, called "FICA" on paycheck stubs.

The tax is the most regressive of federal levies because the rate does not increase as a person earns more money. Workers don't finance their own retirements, but support current beneficiaries on the assumption that following generations will pay the freight when today's workers are ready to retire.

As the government expanded and went head-long into social welfare, several programs were added to Social Security to be financed by the payroll tax.

They include benefits for students age 18-22 whose parents are dead or disabled, disability payments for workers, and Medicare, the government health insurance program for the elderly.

"Since the enactment of Social Security a number of unearned benefits have been added to the core old-age and survivors insurance program," Reagan said in his budget message." These "add-ons" have threatened the solvency of the program, he said, and it is time to revert to the basic retirement role Social Security was meant to play.

In 1937, when the program began operating two years after the Social Security Act was passed, workers paid a maximum of $30 a year in payroll taxes. By 1950 that had risen to $45. It was $174 in 1965 and $374 in 1970. This year the limit is $1,975 and there are scheduled increases until 1986.

The huge jump is partly because of the add-on programs, like Medicare and benefits for full-time students, but it is mostly due to the 1972 passage of legislation adjusting all Social Security benefits for inflation.

The rocky economy of the 1970s and the declining birth rate of recent years have taken their toll so that each retiree collecting benefits is supported by 3.2 workers, compared to 1945 when 50 workers supported one retiree. Projections are by 2035 the ratio will shrink to 2-to1.

"Most of the short-term problems facing Social Security are caused not by the system, but by the economy," says Pickle.

All sides agree the long-range problem is more serious because it is going to require changes that will alter American lifestyles — probably either delayed retirement or limits on cost-of-living increases.

Even Pickle, a folksy fellow from Austin, Texas, who prefaces virtually everything with an assurance the system won't go broke, warns it would be "a fatal mistake if we assume the problems facing Social Security can be handled by stonewalling against change."