

Perspectives on the Value of Social Security

Name: _____ Date: _____

Social Security benefits are based on a balancing of two principles: equity and adequacy. Equity means that what you put in is related to what you get out; in other words, workers with higher wages, who pay more into the system, receive higher benefits later on. But under the principle of adequacy, the Social Security benefit formula overlooks years of low earnings (for example, when a worker may have been disabled or unemployed), and it replaces a higher proportion of earnings for the poor than for the rich. That's why it's our most successful anti-poverty program. In addition, Social Security benefits are indexed against inflation and protected from the ups and downs of the economy and financial markets. That's why the program provides security for the middle class.

Source: Starr, P. (2005). Why we need Social Security. The American Prospect. Retrieved from <http://www.princeton.edu/~starr/articles/articles05/Starr-SocSec-2-05.htm>
The real costs of Social Security far exceed the taxes collected: The compulsory pay-as-you-go retirement system has denied people the choice of using those funds for private investment, diminished the culture of responsibility and strengthened the redistributive state. People have become more dependent on government, and the retirement decision has become politicized.

Source: Dorn, J. (2010, August 20). The real costs of Social Security: Red ink, instability, loss of choice. Investor's Business Daily. Retrieved from <http://www.cato.org/publications/commentary/real-costs-social-security>