Social Security and Medicare Timeline

Unless otherwise noted, the following was adapted from Social Security Administration. (2011, December 6). Historical background and development of Social Security. Retrieved from http://www.ssa.gov/history/briefhistory3.html

Changes in American Life

Late 19th to early 20th century: The migration of able-bodied people to the city breaks up families and jeopardizes the economic security of the aged left behind on the farm. The percentage of people living in cities to follow industrial jobs increases from 28% to 56%. Unemployment now becomes a possible threat to economic security.

1870–1909: Poverty in the United States ranges from 44% to 62% (Katz & Stern, 2001).

1900–1930: Improved health care and sanitation have increased the average lifespan by 10 years

1932: Only 5% of the elderly receive company pensions.

1935: There are 7.8 million senior citizens, who make up 5% of the population. Only 3% of the elderly receive state benefits (averaging 65 cents a day).

First National Pension Programs

1862: Civil War Pension Program is created, providing benefits for disabled Union soldiers.

1890: Civil War Pension Program adds disability and old-age benefits.

The Great Depression

1929, October 24–1930, early February: Stock market crashes and loses 40% of its value. It does not return to pre-crash levels until 1955.

1929–1939: Unemployment goes from 3% to over 25% (and, because almost all are single-income, this leaves 25% of families with no breadwinner). The gross national product (now known as the gross domestic product) drops from $105 billion to $55 billion. Total wages paid to workers drops from $50 billion to $30 billion. Over half the elderly lack sufficient income to support themselves and have no safety net other than charity.

1930–1932: Impractical (e.g., Townsend Plan) or politically radical (e.g., Huey Long, "spread the wealth") responses to the problem of the elderly poor are proposed.

1932: President Roosevelt proposes social insurance in which workers provide for their own future through taxes while they are employed.

1935, August 14: President Roosevelt signs Social Security into law.

1937–1940: Social Security begins building its trust fund; pays small lump-sum benefits to those who retire in the interim and thus contribute but do not work enough years to qualify for monthly benefits.

1939: Social Security law is amended to provide benefits to dependents and survivors.

1940, January 31: The first monthly benefits are distributed to Ida May Fuller, who would die in 1975 at the age of 100.

Post-War America

1950: Social Security law is amended to include cost of living adjustments (COLAs), adjusting benefits for inflation; these become automatic in 1975.

1956: Social Security law is amended to provide benefits to those with disabilities that prevent them from working.

1959–1967: The poverty rate for people over 65 years of age ranges from 30–35% (DeNavas-Walt, Proctor, & Lee, 2004).

1965, July 30: President Johnson signs Medicare into law.

1967–1974: The poverty rate for people over 65 years of age drops to 15% (U.S. Census Bureau, 2011).

1972: The Social Security Administration begins covering nonelderly blind and disabled adults in the form of Supplemental Security Income (SSI).

1977: The first fixes are made to address short-term (due to economic downturn) and long-term (due to demographic shifts, especially the baby boom) threats to the financial stability of Social Security. These include tax increases, an increase of the taxable wage base, and benefit reductions.

1983: A Second round of fixes to address financial stability issues are made. These include extension of the program to cover federal employees, taxation of benefits, and future increases in retirement age.

1996: Alcoholism and drug addiction are no longer covered as eligible disabilities for Social Security benefits.

2003, December 8: President George W. Bush signs a law creating the Medicare prescription drug benefit.

2008: Using the income threshold of $10,326, the poverty rate among elderly Americans is 9.7% (Purcell, 2009). Assuming no change in behavior, 44% of the elderly would be poor without Social Security (U.S. Census Bureau, 2011). (Note: This is a correlation, which does not necessarily imply causation. It is not possible to know with certainty what would happen without Social Security.)

2010: Using the income threshold of $10,458, 9% of the elderly are in poverty. Expenditures for the Social Security trust fund exceed incoming revenue for the first time since 1983 (SSA, 2011b).

References:

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