
Does Social Security Cost Too Much?



Supporting Questions

1. How much does Social Security cost and who pays for it?
2. Who benefits from Social Security?

High School Cost of Social Security Focused Inquiry

Does Social Security Cost Too Much?

C3 Framework	D2.Eco.1.9-12. Analyze how incentives influence choices that may result in policies with a range of costs and benefits for different groups.
Staging the Compelling Question	Brainstorm (and create a class list) of possible solutions to fix Social Security’s cumulative cash deficit of 2.9 trillion dollars by 2035 .

Supporting Question 1
How much does Social Security cost and who pays for it?
Formative Performance Task
Write a paragraph that explains how much social security costs and who pays for it.
Featured Sources
Source A: “How is Social Security Financed?”
Source B: “Overview of Social Security”

Supporting Question 2
Who benefits from Social Security?
Formative Performance Task
Create a chart that identifies the groups that Social Security applies to and explains the significance of aid given to each group.
Featured Sources
Source A: “Policy Basics: Top Ten Facts about Social Security”
Source B: “Who gets Social Security?”
Source C: “Letter to President Roosevelt Regarding Old-Age Pensions”

Summative Performance Task	ARGUMENT: <i>Does Social Security Cost Too Much?</i> Construct an argument (e.g., detailed outline, poster, essay) that evaluates that answers the compelling question using specific claims and relevant evidence from sources while acknowledging competing views.
	EXTENSION: Write a letter to your congressional representative that persuades the representative that Social Security either should or should not continue to be funded.

Overview

Inquiry Description

This inquiry leads students through an investigation of the economic costs and social benefits of Social Security.

This inquiry highlights the following additional standards:

Council for Economic Education: National Content Standards

- Identify and evaluate the benefits and costs of alternative public policies, and assess who enjoys the benefits and who bears the costs.

C3 Framework

- D2.Eco.1.9-12. Analyze how incentives influence choices that may result in policies with a range of costs and benefits for different groups.

It is important to note that this inquiry requires prerequisite knowledge of Social Security. Additionally, students would benefit from having discussed the history of Social Security, federal taxation, and the federal budget. This additional information together with an understanding of Social Security will provide the context to look at deficit spending and the current federal debt.

Note: This inquiry is expected to take one to two 50-90 minute class period. The inquiry time frame could expand if teachers think their students need additional instructional experiences (e.g., supporting questions, formative performance tasks, featured sources, writing). Teachers are encouraged to adapt the inquiry to meet the needs and interests of their students. This inquiry lends itself to differentiation and modeling of historical thinking skills while assisting students in reading the variety of sources.

Structure of the Inquiry

In addressing the compelling question through a focused inquiry, students have a chance to participate in a genuine inquiry experience, but one in as little as a single class period. To do so, students work through a series of featured sources as they reflect on the compelling and supporting questions and address the formative and summative performance tasks.

Staging the Compelling Question

To stage the compelling question, students are presented with the projected cash deficit of Social Security between now and 2035. This graph shows Social Security's surpluses and deficits since 1970 and should be analyzed through a teacher moderated classroom conversation. In response to the graph, students will brainstorm (as a class) possible ways that would help ensure that the deficit for Social Security doesn't expand - if time allows, they can then be led through a discussion on how their solutions would impact the different groups that Social Security applies to.

Supporting Question 1

The first supporting question, "How much does Social Security cost and who pays for it?" provides the opportunity for students to develop their arguments for the compelling question.

The formative task is to write a paragraph that explains how much social security costs and who pays for it.

Teachers may develop scaffolds for each source as they deem necessary (ie - developing guiding questions, doing read aloud, creating a graphic organizers, and other strategies/materials) may be used to support students as they work with sources. Websites such as the Peter Peterson Foundation and EconEdu provide additional resources for students to explore. Teachers and students can supplement the featured sources with additional resources to provide a scaffolding or a deeper understanding of the topic.

The following sources were selected to:

- **Featured Source A: How is Social Security Financed?** It provides a small reading and two pie charts explaining how social security is financed. [Fast Facts & Figures About Social Security, 2019](#)
- **Featured Source B: Overview of Social Security** Featured Source B provides the history, significance, and funding sources for Social Security. [Overview of Social Security](#)

Supporting Question 2

The second supporting question "Who benefits from Social Security?" allows students to look at the social benefits of Social Security.

The formative task is to create a graphic organizer that identifies the groups that benefit from Social Security, and also, explains how the aid to each group is significant to that group. Students should attempt to include both qualitative (i.e. How does it affect their lives?) and quantitative (i.e. statistics) information in their charts. Example:

Source	Who Benefits (Quantitative/Statistics)?	Who Benefits (Qualitative/Social)?
A	Example: 63 million people, 1 in 6 Americans...	Example: Provides disability, life, and retirement insurance...
B		
C		

The scaffolds and other materials may be used to support students as they work with sources. Students may struggle with some of the economic language and concepts. The sources made be read together as a class to break down the language and concepts.

The following sources were selected:

- **Featured Source A: Policy Basics: Top Ten Facts about Social Security** [Policy Basics: Top Ten Facts about Social Security](#) Featured Social Source A provides a general background and description of who benefits from Social Security. Teachers can utilize either the text or graphics from this source.
- **Source B: Who gets Social Security?** [Who Gets Social Security?](#) Featured Source B provides specific demographics of Social Security beneficiaries.
- **Source C: Letter to President Roosevelt Regarding Old-Age Pensions** [Social Security History](#) Featured Source C provides students with a letter from an aging woman to President Roosevelt.

Summative Performance Task

At this point in the inquiry, students have examined the costs and benefits of Social Security. First, students explored the economic costs of Social Security. With the second supporting question, they read and summarized the social and economic benefits of Social Security. Students have the opportunity to complete a cost/benefit analysis of Social Security and come to a conclusion.

Students should be expected to demonstrate the breadth of their understanding and their

abilities to use evidence from multiple sources to support their claims. In the summative performance task, students construct an evidence-based argument that addresses the compelling question. It is important to note that students' arguments could take a variety of forms.

Students' arguments will likely vary, but could include any of the following:

- *Yes, Social Security costs too much because 24% of our national budget and Americans do not have enough revenue to support it.*
- *No, Social Security does not cost too much. Social Security helps an enormous amount of people, particularly the elderly and the disabled.*

To extend their arguments, students can split into the various economic approaches and propose possible solutions to the Social Security debt problems. They can do further research into possible solutions created by economists. With this bolstered analysis and information, they can engage in a class debate over the possible solutions for remediating Social Security debt, providing arguments and rebuttals. This will further give students a broader understanding of the current Social Security policy.

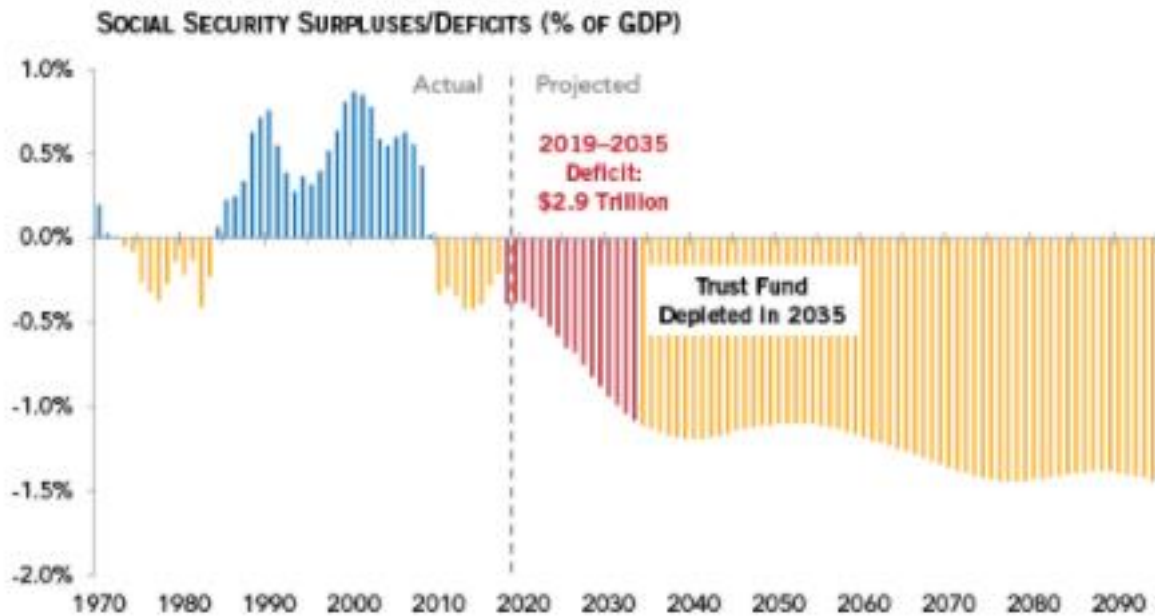
Staging the Compelling Question

Featured Sources:

“Social Security will run a cumulative cash deficit...” *Peter G. Peterson Foundation*, April 30, 2019.



Social Security will run a cumulative cash deficit of \$2.9 trillion between now and 2035



SOURCE: Social Security Administration, *The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, April 2019. Compiled by PGPF.

NOTES: Surplus/deficit numbers exclude interest income. The total deficit of \$2.9 trillion is the present value of the cash deficits between 2019 and 2035. The Old-Age & Survivors Insurance trust fund is projected to be depleted in 2034 and lead to a 23 percent cut in benefits that year; the Disability Insurance trust fund is projected to be depleted in 2052 at which time benefits would be reduced by nine percent.

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Accessed at: <https://www.pgpf.org/budget-basics/how-does-social-security-work>

Supporting Question 1

Featured Source

Source A: "How is Social Security Financed?" *Social Security*, Facts and Figures about Social Security, 2019.

**Note: This source is interactive and may be best utilized via website.

The screenshot shows the Social Security Administration's website. At the top, there is a dark blue header with the Social Security logo and the text "Social Security Office of Retirement and Disability Policy". To the right of the logo is a search bar labeled "SEARCH". Below the header is a red banner with the text "Fast Facts & Figures About Social Security, 2019". Underneath the banner, there is a breadcrumb trail: "You are here: Social Security Administration > Research, Statistics, & Policy Analysis > Fast Facts & Figures About Social Security, 2019".

The main content area features a navigation menu with several tabs: "Did You Know That...", "General Information", "Income of the Aged Population", "OASDI Program", "SSI Program", "Cross-Program Beneficiaries", and "Social Security Financing". There is also a link for "Abbreviations »". To the right of the navigation menu are two buttons: "Email" and "Save/Print".

The "Did You Know That..." section contains the following facts:

- 67.9 million** people received benefits from programs administered by the Social Security Administration (SSA) in 2018.
- 5.6 million** people were newly awarded Social Security benefits in 2018.
- 55%** of adult Social Security beneficiaries in 2018 were women.
- 54.7** was the average age of disabled-worker beneficiaries in 2018.
- 86%** of Supplemental Security Income (SSI) recipients received payments because of disability or blindness in 2018.

At the bottom right of the "Did You Know That..." section, there is a link for "Next page →".

At the bottom of the page, there is a footer with the following text: "About Us · Accessibility · FOIA · Open Government · Glossary · Privacy · Report Fraud, Waste or Abuse · Website Policies".

Accessed at: https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2019/fast_facts19.html

Supporting Question 1

Featured Source

Source B: "Overview of Social Security," *Council for Economic Education*.

History: Social Security was authorized by the Social Security Act of 1935 and signed into law by President Franklin D. Roosevelt on August 14, 1935. Taxes were collected for the first time in January 1937, and the first one-time, lump-sum payments were made that same month. Regular ongoing monthly benefits started in January 1940. (See the Social Security and Medicare Timeline for more details.)

In a Nutshell: Social Security is a national pension plan. It provides a lifetime of retirement income to people who have paid Federal Insurance Contributions Act (FICA) taxes (payroll taxes) for at least 10 years, are over 62 years of age, or are the surviving spouse or child of someone who would have received benefits and have applied for the benefit. There are also benefits for persons with disabilities.

Benefit Size: The size of the Social Security benefit an individual receives is calculated based on when they retire (at 62, 65, or 70 years of age, or later) and how much they have earned and put into the system over their lifetime. As of 2011, the average monthly benefit received by retirees was \$1,181 a month (Social Security Administration [SSA], 2011a).

Significance: As of June 2010, over 53 million people, or about one in every six U.S. residents, collected Social Security. Seventy-five percent of them received benefits as retirees or elderly widow(er)s; 19 percent received disability benefits; and 4 percent received benefits as young survivors of deceased workers. Although it was never intended to provide full support to someone who is retired, for 22% of retired married couples and 43% of unmarried retirees, Social Security constitutes 90% of their income. For 54% of married couples on Social Security and 73% of those who are unmarried, Social Security constitutes at least 50% of their income (SSA, 2011a). In 2008, approximately 10% of seniors were living in poverty, as defined by the U.S. Census. The Center on Budget and Policy Priorities, a policy organization that studies the impact of fiscal policy on those with low and moderate incomes, estimates that, without Social Security (and assuming they could not have made up the difference with money from other sources), 45% of seniors would have been living in poverty (Center on Budget and Policy Priorities, 2010).

Funding: Social Security is defined as a social insurance program because it is funded by taxes paid by the participants. The program uses money from today's workers to pay benefits to current retirees. It therefore distributes the risk/need for income assistance after retirement among the entire tax-paying population, rather than concentrating it on each individual retiree and his or her family. Employees pay 6.2% of their monthly income in FICA taxes. The employer pays a matching FICA tax, and these monies go into the Social Security trust fund. Currently, FICA taxes are levied on only the first \$108,000 an employee earns. With some adjustments,

this system has worked for approximately 80 years and has usually run a surplus.

Changing Ratios: Because of the large number of retirees in the baby boom (the increase in the number of babies born in the 20 years following World War II), the number of workers in the labor force relative to the number of retirees is changing. (The ratio decreased from 5:1 in 1960 to 3:1 in 2009, and is projected to reach 2.2:1 in 2030 [Vincent & Velkoff, 2011].) Were there to be no increased revenue or other changes in the program, it is projected that by approximately 2036, Social

Security will be able to cover only 75% of the monthly benefit retirees should expect to receive. In most years the trust fund has run a surplus, meaning it has collected more in revenue than it spent in benefits. Previous surpluses have been invested in U.S. Treasury bonds. Given demographic changes and the economic downturn, the trust fund will likely begin operating at a deficit in the next few years. That means it will need to start cashing in on these bonds and spending down previous surpluses. There are enough assets to cover current benefit projections through 2036, but cashing in the U.S. government debt held by Social Security can place pressure on the general budget (SSA, 2011b).

What to Do: Today, as in 1935, there is a range of opinion on how important this program is, on whether necessary trade-offs should be made to preserve it in its current form, and on whether the federal government should even be involved in administering a retirement fund. Some people believe that this is not the proper role for the federal government and that individuals must arrange for their own retirement, either through a plan administered by their employer, by putting aside money on their own, or by depending on the care and support of family. Others believe that the federal government, representing the American people, has a duty to require individuals and their employers to participate in a program that will assure a minimum level of income to retired people, their survivors (as of 1939), and the disabled (as of 1956). They believe the program represents a shared responsibility to one another and from one generation to the next.”

Accessed at: <https://econedlink.org/wp-content/uploads/2019/11/Overview-of-Social-Security.pdf>

Supporting Question 2

Featured Source

Source A: "Policy Basics: Top Ten Facts about Social Security" *Center on Budget and Policy Priorities*, August 14, 2019.

**Note: This source is interactive and may be best utilized via website.



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Policy Basics: Top Ten Facts about Social Security

Social Security provides a foundation of income on which workers can build to plan for their retirement. It also provides valuable social insurance protection to workers who become disabled and to families whose breadwinner dies.

UPDATED AUGUST 14, 2019

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Eighty-four years after President Franklin Roosevelt signed the Social Security Act on August 14, 1935, Social Security remains one of the nation's most successful, effective, and popular programs.

Accessed at: <https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security>

Supporting Question 2

Featured Source

Source B: "Who gets Social Security?" *National Academy of Social Insurance*.**Total Beneficiaries: 61,480,790****Social Security Benefits, June 2017**

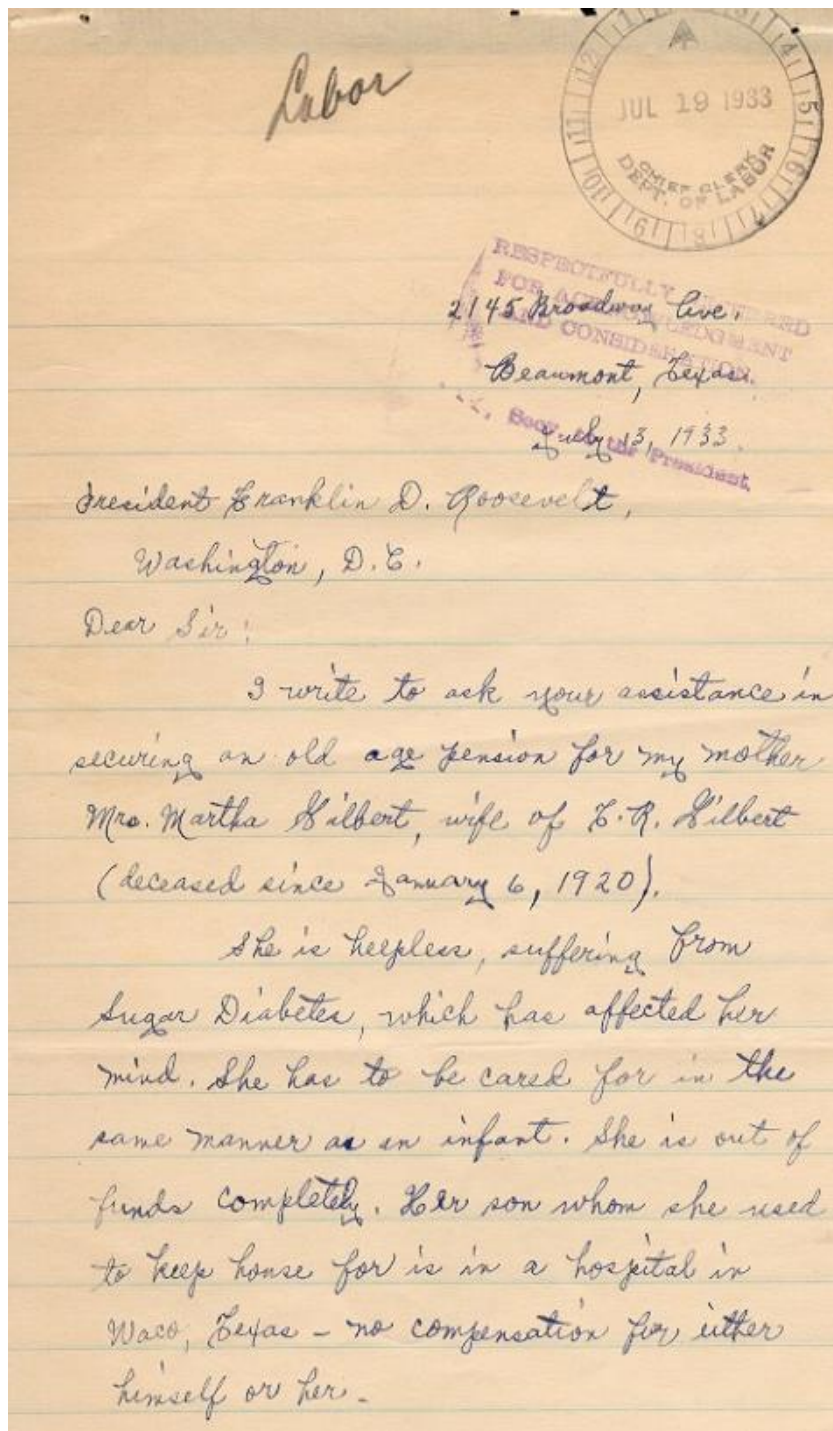
Beneficiaries	Number of Beneficiaries	Average Monthly Benefit
Retired Workers and their Families	44,951,551	
Retired workers	41,907,870	\$1,369
Wives and husbands of retired workers	2,368,020	\$712
Children of retired workers	675,661	\$659
Survivors of Deceased Workers	6,011,856	
Widows and widowers and parents aged 60 and older	3,721,177	\$1,307
Children of deceased workers	1,901,323	\$840
Young widows and widowers	130,052	\$946
Disabled widows and widowers	259,304	\$716
Disabled Workers and their Families	10,517,383	
Disabled workers	8,755,405	\$1,172
Wives and husbands of disabled workers	131,560	\$325
Children of disabled workers	1,630,418	\$357

Accessed at: <https://www.nasi.org/learn/socialsecurity/who-gets>

Supporting Question 2

Featured Source

Source C: "Letter to President Roosevelt Regarding Old-Age Pensions," *Social Security Administration*, Social Security History, July 19, 1933.



Accessed at: <https://www.ssa.gov/history/lettertoFDR.html>

