

# LEDGER

economic education newsletter

## Social Security: Lifeline for the Future

*The purpose of the following article is to provide students with a basic understanding of social security — an important economic concept and institution in this country. Follow-up activities are suggested at the close of the article.*

Bread lines, hungry children, forlorn faces, thirteen million American citizens unemployed... This was the Great Depression of the 1930s. When Franklin D. Roosevelt became President of the United States in 1933, he knew that something had to be done. Historically, private charities and local government had cared for the less fortunate segments of the population. But most of those resources had long been exhausted. And so one of Roosevelt's most urgent tasks was to devise a new federal relief policy. One of the many programs he promoted during that period of severe economic hardship in this country was the Social Security Act of 1935. But shortly after the Act passed in Congress, it was declared unconstitutional by the Supreme Court. Only after several changes took place in the composition of the Court, and through the persistence of its most ardent supporters, the Act was declared constitutional and put into operation.

Social security provided consumers a line of security — a buffer for families from economic catastrophe.

### NOT JUST FOR THE ELDERLY

Although social security as an institution was established only in this century, the concept of a social insurance program began in 19th-century Germany and spread across the world, until by 1977, there were over 100 systems. The

concept, designed to compensate workers for the loss of earning power, acknowledges the fact that the pressure of more immediate needs keeps most people from accumulating the very large sums of money necessary to provide income security.

In the United States today, almost every American is part of the social security system, either as a



beneficiary, a contributor building protection for the future or as the dependent of a survivor. More than 34 million people — one of every seven Americans — receive a social security benefit each month. Those payments can be as much as \$653 a month for an individual or \$1180 for a family. And approximately 110 million Americans — nine out of each 10 working people — pay social security taxes that will climb as high as \$1588 this year and \$1975 next year. (The self-employed will pay a maximum of \$2098 in 1980 and \$2762 in 1981.)

Through the years, there have been many changes to improve the protection social security gives to workers and their families. At

first, social security covered only the worker upon retirement. In 1939, the law was changed to pay survivors when the worker died, as well as certain dependents when the worker retired. At the outset, social security covered only workers in industry and commerce. But in the late 1950s, coverage was extended to include most state and local employees, household and farm employees, members of the Armed Forces and members of the clergy. In July 1956, disability insurance benefits were first paid, giving workers protection against loss of earnings due to total disability. The social security system was expanded again in 1965 with the enactment of Medicare which provided hospital and medical insurance benefits to people 65 and over. And since 1973, Medicare coverage has been available to people under 65 who have been entitled to disability checks for two or more consecutive years.

### HOW IT WORKS

The basic idea of social security is a simple one: during working years, employees, their employers and the self-employed make social security contributions. An employee's contribution is deducted from his or her wages each payday. The employer matches those payments and sends the combined amount to the Internal Revenue Service. This money is used to pay benefits to the nearly 35 million people getting benefits and to pay administrative costs of the program. Then, when today's workers' earnings stop or are reduced because of retirement, disability or

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death, benefits will be paid from contributions by those in the working population at the time. Social security is not intended to replace all the earnings an individual has prior to retirement. It provides a basic level of income that can be supplemented with savings, investments or other kinds of insurance. For example, under present law, a worker gets a retirement benefit at age 65 generally in the range of 30 to 55 percent of his or her recent taxable earnings.

A new formula is now used to calculate benefits for workers who reach 62, become disabled or die in 1979 or later. Actual earnings for past years are adjusted to take account of changes in wages since 1951. These adjusted earnings are averaged together and a formula is applied to the average to determine the amount of the benefit. This method is intended to insure that benefits will reflect changes in wage levels over a person's working lifetime and will have a relatively constant relationship to earnings before retirement, disability or death.

## LOOKING TOWARD THE FUTURE

What is the future of social security in this country? America's population is undergoing a profound transformation that could alter many facets of our lives. As the "baby boom" generation approaches retirement age, as the number of births continue to decline, as biomedical progress increases life expectancy, the American population will have a larger proportion of older non-workers than today. In 1970, approximately 20 million Americans, or almost 10 percent of the population were 65 or older. Now there are nearly 25 million. That number is projected to increase to about 31 million or 12 percent of the total population in the year 2000 and 52 million by 2030, or 17 percent of all Americans.

Accompanying the rise in the number and proportion of older people in our population has been a marked trend toward early retirement. Three or four years ago, most people waited until 65 to retire. But, in recent years, the majority have been retiring before 65.

How, then, can social security accommodate these changes?

Some maintain that the projected decline in labor force participation will place a substantially increased burden on active workers because of their declining number relative to retired people. In the coming years, leaders will be examining various alternatives for keeping the social security system sound. Extending the mandatory retirement age and decreasing the amount of benefits paid to recipients are among the suggestions for restraining the growth of the tax burden on the working population and satisfying the emotional and economic needs of the non-working population. What changes in legislation will be needed depend on economic and sociopolitical events that cannot be predicted.

Regardless of what the future holds, social security is a provision in this country that few of us can do without. Everyone fortunate enough to live until retirement will need a regular, permanent income to replace the earnings that once were the main source of support. And any worker may become totally disabled before retirement, or even die, leaving surviving dependents. That is why most workers strongly support the concept and are willing to make substantial contributions toward social security protection.

Social security is often thought of as America's most successful program of social reform. Built on the principle of self-help, its protection comes from the work that people perform. Social security has transformed the lives of millions of Americans from poverty and insecurity to economic well-being.

## Suggested Follow-up Activities

1. Discuss the concept of social insurance. Is it necessary? Why or why not? Is it more effective than other kinds of assistance such as welfare and charity? Why or why not? Are there other alternatives?
2. Discuss what might be done to keep the tax burden on the working population from growing, while satisfying the needs of the elderly. Suggestions: keep workers in the labor force longer, extend the mandatory retirement age, establish an across-the-board decrease in benefits paid to recipients.

3. Discuss how society will change as the number of elderly Americans increases markedly.
4. Have students research their families' employment histories. What types of work have their ancestors done? How many years did they hold their respective positions? When did their grandparents retire? When do their parents expect to retire?

## YOUR SOCIAL SECURITY CARD

If you work now, or plan to work at some time, a social security card is important for your future. The number on your card is used to keep a record of your earnings over time. You need just one social security number during your lifetime. Notify any social security office if you ever get more than one number. Also, contact social security if you lose your card or if you change your name.

Your employer is required to give you a statement of the social security contributions deducted from your pay. This is done at the end of each year or when you stop working for that employer. It's a good idea to check your record every three years or so to make sure that earnings are being correctly reported to your record.

## Innovative Classroom

Just as the composition of our population changes over time, so does the environment in which we live. Boston, a city very rich in heritage, is a prime example of how growth and change transpire over time. How parts of a city can look and function differently in different eras and forces which shape a city's environment is the focus of Place Over Time, a new exhibit which traces the history of Boston's urban environment and architecture.

Sponsored jointly by the Boston Landmarks Commission and the city's Jubilee 350 birthday celebra-



tion, this exhibit is designed to foster an awareness of how the urban environment has evolved. Visitors can learn a great deal about the social and architectural history of the city, building technology and especially the economics of preservation and development — in short, what makes the city the way it is today and how it will appear in the future.

Place Over Time consists of two parts — the central exhibit at the Museum of Transportation in Boston, and a series of 19 neighborhood units which are on display at community branches of the Boston Public Library.



Looking out from the window of an early 1800s office in the *Place Over Time* unit on Boston's financial district.

Jubilee 350 photo by Robin Bracher.

The main exhibit has an innovative three-dimensional multimedia format. Artwork in bright, colorful, cartoon-like style is used with old and new photographs, prints and architectural drawings, which are displayed in spaces shaped to suggest the architecture of the area depicted. In addition, authentic three-dimensional details such as windows, woodwork and brick are combined with multi-media presentations and sound effects to convey a sense of firsthand experience.

Visitors to the exhibit can be active participants. There are viewing holes to look inside the model of an architect's head, for example, to see what he was thinking while

designing a building. They can also lift up and peer under branches of trees in a model of the Boston Common to see how the Common was used during different eras: as a pasture for cows, as a recreational area and as a site for Pope John Paul II's historic visit to Boston.

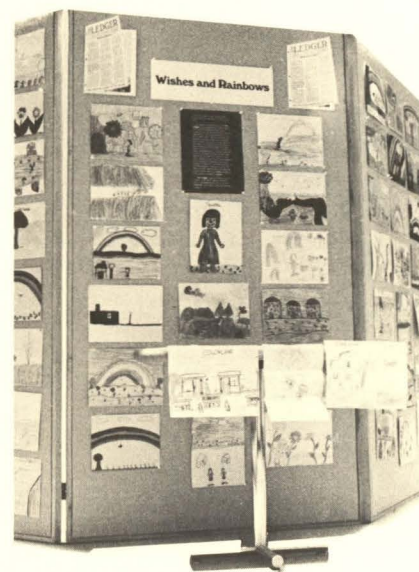
A filmed taxi ride tours seven parts of Boston as they have appeared at various times during three and a half centuries. Then visitors are off on foot to see these seven sections, including the Blackstone Block, Beacon Hill, Quincy Market, State Street, Downtown Crossing, Copley Square and Government Center. Animated life-sized posters of the taxi driver are stationed throughout the exhibit to carry through the theme of a tour.

Each section details the periods which were influential in creating a particular place and the forces which were at work during various periods to shape it. Each section also has a sub-theme about land use and urban planning. The Beacon Hill section, for instance, discusses preserving an area for its original use; Quincy Market focuses on recycling; and Downtown Crossing talks about reclaiming the city for pedestrians.

The separate neighborhood exhibits focus on 19 different residential sections of Boston ranging from Beacon Hill to Chinatown to Roxbury. They are designed to show how various public and private decisions have combined to give each section of Boston its unique character. They also discuss specific issues currently facing each neighborhood such as transportation changes, population shifts and encroaching development.

Planning for Place Over Time began in 1977 and is the only permanent exhibit of Jubilee 350. The main exhibit is located on the sixth floor of the Museum of Transportation, Museum Wharf, 300 Congress Street, Boston. It is open daily from 10 am - 5 pm, Fridays until 9 pm. Special group rates are available. Contact Don Gratz at (617) 426-6633 for reservations and additional information. To rent space on the exhibit floor for workshops and other functions, call Eleanor Anbinder at the Boston Landmarks Commission, (617) 722-4300.

## 'WISHES AND RAINBOWS' CONTEST WINNERS



The fall issue of *The Ledger* featured a children's fable called "Wishes and Rainbow," designed to teach elementary students the economic concept of scarcity. The story described how a young girl named Roota and her fellow Pebblepeople must cope with a scarcity of color in their underground town called Pebbleton. *The Ledger*, curious to know how the students who heard "Wishes and Rainbows" visualized Roota, her friends and Pebbleton, sponsored a drawing/painting contest.

*The Ledger* chose four winners from the 68 entrants. Congratulations to the following lucky winners:

Steven Hyde, first grade, and Donna Gover, fifth grade, both of North Salem Elementary School in Salem, NH; Scott McCabe, a fourth grader from Roosevelt School in Melrose, MA; and Kerri Brodin, a sixth grader at Burncoat Elementary School in Worcester, MA.

Because so many of the entries were colorful and imaginative, *The Ledger* decided to exhibit all of the students' works on the fourth floor of the Federal Reserve Bank of Boston for the month of November.

Thank you, teachers and students, for your participation in the "Wishes and Rainbows" contest. We are happy to see that *The Ledger* has served as a useful tool for teaching economics in your classroom.



# New England Update

## CONNECTICUT

The **Connecticut Joint Council on Economic Education** is offering "The American Economic and Business System," a two-credit graduate workshop for teachers K-12. The course, which began in Torrington on September 23, includes six additional three-hour sessions throughout the year. Each session features a leader from business, labor or government addressing such topics as labor relations, environmental issues and international trade. Dr. Charles Slater, assistant superintendent and economic education coordinator, is coordinating the workshop. For more information, contact Dr. Edward Hamblin, Director, U-55, University of Connecticut, Storrs, CT 06268, (203) 486-2327.

## MAINE

The **Maine Council on Economic Education** announces the following television programs on economics for Maine teachers of grades 1-12, which will air on public television stations during the school day. "Common Cents," "Trade-Offs," and "American Enterprise," are available from Maine Public Broadcasting stations and the Media Services Division of the Maine State Library. If you have questions about these series or would like to order supplementary teacher guides, contact John W. Boynton, Maine State Library, (207) 289-2956 or Robert J. Mitchell, Maine Council on Economic Education, (207) 581-7069.

### the LEDGER

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## MASSACHUSETTS

The centers for economic education at American International College, Boston University, Salem State College, Southeastern Massachusetts University, Stonehill College, Tufts University and Worcester State College will all be offering courses in local school systems this fall. To find out more about what is being offered in your area, contact Daniel Gibbs, 19 Fort Hill Street, Hingham, MA 02043, (617) 749-8466.

## NEW HAMPSHIRE

**Carolyn Marpes**, DEEP coordinator at Barrington School, will conduct in-service workshops with and for teachers who have attended any of the New Hampshire Council summer workshops. Marpes has also scheduled similar staff development workshops in Exeter and Timmerlan schools.

**Dean Williamson**, a retired insurance executive of Concord, NH, and former chairman of the Board of Trustees of the New Hampshire University System, was elected chairman of the Board of the New Hampshire Council on Economic Education.

## RHODE ISLAND

**Monica Matheny** is the new director of the **Center for Economic Education, Rhode Island College**, where she is also an assistant professor in the department of economics and management.

The Center is offering "Concepts in Economic Education," a three-credit graduate course designed for teachers who want to learn economic concepts and how to apply them in the classroom. For more information contact Monica Matheny, Director, Center for Economic Education, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908, (401) 456-8037.

## VERMONT

**ECON TREK** will host several dinner seminars this year which will feature a lecture by Dr. Malcolm F. Severance of the University of Vermont and a presentation of ECON TREK programs and materials.

In keeping with tradition, **ECON TREK** has produced another of its educational television programs on an aspect of Vermont's economy. This year's film, called "Independence?" raises questions about the state's ability to meet its own economic needs.

For more information on the dinner seminars and/or the television program, contact Dr. Severance at the Vermont Economic Education Project, Continuing Education, Grasse Mount, University of Vermont, Burlington, VT 05401, (802) 656-4017.

## Multi-Media

**Understanding Taxes**, published by the Internal Revenue Service

This text teaches students about the important features of our Federal tax system and their responsibilities as taxpayers. The course includes a brief history of U.S. taxation, a summary of the latest available federal budget, sample tax forms, general tax rules and instructions and a comprehensive teacher's guide. Published once a year, the **Understanding Taxes** unit must be ordered as soon as possible in order to receive materials after January 1981. Free copies are available by writing to the Understanding Taxes Coordinator, P.O. Box 9088, Boston, MA 02203, or by calling (617) 223-3418. (Appropriate for high school and adult level groups.)

## Fed Update

In the display area of the Boston Fed, the American Jewish Historical Society presents "On Common Ground: The Boston Jewish Experience 1649-1980," an exhibit which is open to the public, free of charge, until the last week in January. Funded by the National Endowment for the Humanities and the Combined Jewish Philanthropies of Greater Boston, the exhibit is part of the city-wide Jubilee 350 celebration. It describes, through objects, photographs, documents and video, the story of the Jewish people in Boston and their 330 years of participation in the life of the city.