Social Security – Preliminary List
ECON 3438W Study Questions

1. What are the various components of the Social Security System?

2. What are FICA and Medicare, and how are people taxed for these? How much are the FICA taxes? How large a part of total federal tax collections are the Social Security taxes?

3. What do you have to do to qualify for old age benefits under the Social Security System? What is the “full retirement age,” and how do benefits vary with retirement age, marital status, and income? How many people are currently receiving Social Security benefits?

4. What do you have to do to qualify for disability benefits under the Social Security System?

5. There seem to be different opinions about it, but there are fears that the Social Security System may be in financial peril. What are the problems that the System will face over the next 50 years or so that may affect its financial viability? Discuss surpluses, shortfalls, and payouts from the so-called “Trust Fund.”

6. What are the apparent causes of the projected deficits of the Social Security System?

7. What is the relationship of the Social Security Trust Fund to the U.S.’s national debt? Was the federal budget actually balanced during the Clinton administration? Explain what is commonly known as “raiding the Social Security Trust Fund” and “putting Social Security into a lockbox.”

8. Some say that the Social Security System would not face financial crisis if Congress simply didn’t rob the Social Security Trust Fund to pay for its expenditures. Is this what Congress does? Explain what is actually going on here. Is it actually possible for the Social Security surpluses to be saved or invested?

9. The U.S. government makes an effort to keep Social Security taxes and operations separate from the general budget. What difference does it make? What does it mean to say that tax dollars are “fungible?”

10. One privatization proposal for Social Security might be to have the Trust Fund (accumulated surpluses) invested in the stock market. What are the problems with this? What would be the advantages?
11. We could simplify Social Security by making it “pay-as-you-go.” What does that mean? How would that reduce the System to a simple intergenerational transfer? What would be the advantages and disadvantages of such a system? Who actually pays for Social Security benefits now?

12. What is insurance and how does (modern) privately provided insurance operate?

13. Is Social Security “social insurance?” What does that mean?

14. What are the typical problems associated with privately provided insurance? (I discussed five specific problems in class.) How would government provided insurance (Social Security?) overcome these problems?

15. In retirement plans, what are “defined contribution plans” and “defined benefit plans?” Which is the Social Security System?

16. Consider what would (or will) happen if Social Security goes into deficit, and has to draw on its Trust Fund. What would be the impact on taxes and debt? (Give scenarios.) Is the Trust Fund a fraud?

17. What would be the short run and long run costs and benefits of personal retirement accounts as a means of improving the financial viability of the Social Security system? What other fixes might we consider?