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Head to Head: Is Social Security sustainable, and is it worth continuing?

THE ISSUE: The Social Security system, which marked its 75th anniversary last year, was established as a pay-as-you-go social insurance program, whereby benefits to retirees are paid out of payroll tax contributions from current workers. Critics, most recently Texas Gov. Rick Perry, have called it a "Ponzi scheme." Supporters call it a vital "intergenerational compact."

Is Social Security sustainable, and is it worth continuing?

Pia Lopez: Absolutely

Life for older Americans is a lot better because of Social Security.

It is a bedrock of certainty to supplement private pensions and personal savings that are subject to the swings of stock and bond markets. And for the oldest Americans who eventually spend much of their retirement savings, Social Security is an essential source of income – and independence.

In 2008, less than 10 percent of individuals 65 and older fell below the poverty line – the lowest of any age group. Without Social Security benefits, it would be 45 percent, according to a 2010 analysis by the Center for Budget and Policy Priorities.

Yes, Social Security is an intergenerational compact. The payroll taxes of today's working-age children go toward benefits for their elderly parents who have retired after a lifetime of work. It is a way of spreading costs, so individual families aren't burdened with the costs of taking care of elderly parents who have lived beyond their savings. In turn, their children will do the same for them when they become too old to work.

The 1930s framers predicted that the 65-and- over population would increase from 5.4 percent of the population in 1930 to 12.7 percent by 2000. Pretty close. They knew, too, that as people lived longer, they would work for more years and spend more years in retirement.

Thus, they expected that the president and Congress would have to amend Social Security tax and benefit rates and eligibility conditions. But we've had no major adjustment since 1983 – a hard-won compromise among President Ronald Reagan, a Democratic-majority House and a Republican-majority Senate.

Today, despite hysteria to the contrary, Social Security's short-term finances remain solid – with $2.6 trillion in assets. The 2011 trustees' report projects that Social Security will be able to pay 100 percent of scheduled benefits for all workers through 2036. The issue is what happens after that.

Under a "do nothing" scenario, the trustees project that Social Security will be able to cover 77 percent of scheduled benefits after 2036. But to avoid big benefit cuts 26 years from now, Congress and the president have to do what they traditionally have done – gradually change the retirement age, cost-of-living adjustments and payroll taxes.

Live stream tomorrow morning: Supreme Court briefing

by WALTER OLSON *on SEPTEMBER 13, 2011*

Tomorrow morning at 10 a.m. Eastern I'll be appearing at a Cato Institute "Liberty Briefing" for invited journalists and others to preview the Institute'sConstitution Day, which is Thursday, and to talk in particular about the U.S. Supreme Court's approach to issues of civil litigation, including this year's Wal-Mart v. Dukes case. My Cato colleague Trevor Burrus will be discussing court challenges to ObamaCare and its individual mandate, a topic likely to reach the high court before long. You can watch live online here.