
Free Market Social Security

Segment Length: 6:09 minutes

Lesson Description:

Social Security is supposed to provide money for people after they retire, but that money is disappearing. Over the years, politicians have promised to save the program, but what are they actually doing about it? Would it be better to privatize the program and give citizens more control of the money? This video examines the state of Social Security and the possible benefits of privatization.

Concepts & Key Terms:

Social Security—A government program that provides monetary assistance to people with inadequate or no income. In the United States, it refers to a program which provides money to elderly people who are retired.

Privatization—The transfer of a business, industry, or service from public to private ownership and control.

Insolvent—Unable to pay debts.

Objectives:

Students will be able to:

- discuss the problems that Social Security is facing.
- explain why Social Security is running out of money.
- evaluate the benefits of privatizing Social Security.
- hypothesize the results if Social Security isn't reformed.

Preview Activity and Questions:

Distribute the K-W-L charts and have students complete the first two columns to the best of their ability. (Have them fill in the last column after viewing the video.)

Viewing Guide:

It is recommended that teachers show the video twice: once to allow students to view it and focus on the issues presented, and once to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs sharing and verifying answers.

Answers to Viewing Guide

- | | |
|---------------|-------------|
| 1. promise | 3. Chile |
| 2. sixty-five | 4. bankrupt |

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Viewing Guide

Name _____ Date _____

Class _____ Teacher _____

Directions: As you watch the video, fill in the blanks with the correct words.

1. Years ago, government made us a _____.
2. [W]hen Social Security actually was founded, life expectancy was below _____.
3. Private accounts have been tried in a few countries. The investment they created help _____ rise from one of the poorest countries in Latin America to the richest.
4. Far better to fix old-age programs now, rather than have them suddenly go _____ later.

Now, take a few moments to reflect on the video and answer the questions below:

What is the purpose of Social Security?

What happens to the money that the government takes for Social Security?

What does Stossel mean when he says Social Security is "kind of like the Titanic"?

Should people have a choice in how their Social Security money is spent? _____ Why or why not?

Discussion and Analysis:

1. In the video, Stossel asks young people if they ever think about Social Security. Have you ever thought about it?
2. If Social Security isn't reformed, do you expect to collect it when you reach retirement age?
3. What will the overall impact be if Social Security isn't reformed? How will it impact people in different economic classes?
4. The video shows examples of politicians—both Republicans and Democrats—vowing to save Social Security. Why do you think it hasn't been reformed?
5. The Heritage Foundation has proposed cutting Social Security payments to rich people and raising the retirement age to 70. What impact—positive and negative—would these changes have? Do you agree with them?
6. In the video, Romina Boccia proposes that citizens be allowed to invest some of their Social Security money in stocks and bonds. What are the risks of doing so? What are the benefits?
7. Why is the proposal to privatize Social Security so unpopular?
8. Why does the government spend the money that's intended for Social Security? Is it the right thing to do?
9. Some politicians want to expand Social Security and raise taxes on the rich to pay for it. Is this a good idea? Would it work?
10. In the video, one person compares Social Security to a Ponzi scheme. What is a Ponzi scheme? Is the comparison accurate?
11. Are you in favor of privatizing Social Security?

Discuss These Lines from the Video:

1. Even if you don't save for your retirement, government will save for you.
2. When politicians began old-age programs, they assumed there would be enough young workers to tax to cover the costs of sending checks to old people....But [old people] are living longer these days, so there aren't enough young people to pay for [them].
3. Well, there is a plan out there to save [Social Security], but it requires some tough choices.
4. Just imagine being able to own and control your own retirement dollars. They could invest it in businesses that could grow the economy.
5. We lack gratitude for what the free market provides.
6. Far better to fix old-age programs now, rather than have them suddenly go bankrupt later.

Quotes for Discussion:

Should any political party attempt to abolish Social Security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history.

–Dwight D. Eisenhower

It's not 2038 that Social Security is bankrupt. It's now.

–Gary Johnson

Social Security is based on a principle. It's based on the principle that you care about other people. You care whether the widow across town, a disabled widow, is going to be able to have food to eat.

–Noam Chomsky

All Ponzi schemes run aground eventually, and our great postwar generational Ponzi scheme is heading straight for the shoals. We still have time to steer clear, but we aren't going to do so with politics as usual.

–Laurence J. Kotlikoff

We can preserve Social Security benefits for generations of Americans without privatizing this important program.

–Richard Neal

The statesmen of 1940 solve their problems by shifting them to the statesmen of 1970. On that date the statesmen of 1940 will be either dead or elder statesmen glorying in their wonderful achievement, Social Security.

–Ludwig von Mises

Activities:

1. Complete the K-W-L sheet included at the end of this guide.
2. This video is included in Stossel in the Classroom's "Both Sides of the Issues" section under the header "What Should We Do About Social Security?" Check out the other side of the debate here:

http://stosselintheclassroom.org/both_sides/

3. Read and summarize The Heritage Foundation's article "3 Examples of How Social Security Robs Americans of Greater Income Before, During Retirement."

<https://www.heritage.org/social-security/commentary/3-examples-how-social-security-robs-americans-greater-income-during>

4. Watch this clip of economist Milton Friedman's speech on Social Security.

<https://www.youtube.com/watch?v=C7I7AgpPOBs>

5. Research and write a report on Chile's privatized Social Security program.
6. Write an essay on the origins of the Social Security Act.

7. Do you know what you want to do for a living? Look up the average income for that occupation. Then, using the current Social Security tax rate of 6.2%, estimate how much money you would pay into Social Security by the time you turn 67 (the retirement age, as defined by the United States Social Security Administration).
8. For older students who are in or preparing to enter the workforce, watch PragerU's video "Social Security Won't Give You Security."

<https://www.youtube.com/watch?v=gIKIdE0vYok>