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### **“USDS Likely to Trump SSS”**

Irrespective of which candidate wins the 2020 Presidential Election (if there is one), on the other side of the election we may find that US defense spending (USDS) trumps Social Security spending (SSS). Not in value, but as a budget priority for the nation.

Even before Covid-19, the high level of US debt made it necessary for the US to engineer debt securities’ yields at very low levels. Ten-year US Treasury nominal yields have languished below 3.5 percent for the past ten years. These low yields have meant that Social Security Trust Fund investments in US Treasuries experienced low earnings—especially with respect to historical expectations.<sup>1</sup> Consequently, actual and expectant Social Security recipients operate under the assumption that the Trust Fund will go bust in the mid-2030s. The 2019 Social Security Trust Fund Report says as much.<sup>2</sup> It is important to note that the report also indicates that the cost of Social Security will exceed income of the Trust Fund beginning this year.

Covid-19, however, has rendered many of the assumptions in the 2019 report to be unrealistic. The system is very likely to go bust sooner than previously expected due to: (1) elevated levels of unemployment in the near- to medium-term meaning that fewer workers will contribute to the system; (2) many may retire early and claim Social Security benefits as a result of the aforementioned unemployment; and (3) interest earnings on Trust Fund investments are likely to be even lower than expected because of very depressed Treasury yields. Therefore, it seems important to act sooner, rather than later, to bolster the Social Security program.

As you know, Covid-19 necessitated enormous US Government borrowings at, admittedly, very favorable interest rates. But even with very low interest rates, debt service will consume larger and larger shares of the US Budget in the years ahead unless the economy grows at surprisingly high rates. Therefore, all components of the US discretionary budget should be squeezed.

The largest component of the US discretionary budget is military spending. Logically, this would be the first component to trim in order to continue fulfilling the US pledge to those who have paid into the Social Security Trust Fund. On the contrary, what we are likely to see after the election is a move to rewrite the rules on SSS, placing it on the paring table ahead of USDS.

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<sup>1</sup> The 1983 Greenspan Commission and Social Security Trust Fund analyses in the 1990s generally anticipated positive real interest rate yields far into the future, with inflation expectations of about 3 or 4 percent. This implied nominal yields above 5 percent.

<sup>2</sup> See the report at <https://www.ssa.gov/OACT/TR/2019/tr2019.pdf> (retrieved on 04/25/20).

The military industrial complex will fight vigorously to ensure that defense spending continues to draw the largest share of the discretionary budget. This despite President Trump's contention that he does not want the US to be the policeman of the world. President Trump has also pledged to make the country more domestic-focused, which implies that spending on foreign intelligence should decline as well (much of the foreign intelligence budget is subsumed in the Defense Department's budget).

As a result of Covid-19, the country will be forced to answer a crucial—some may say moral—question: “Is the well-being of our elderly more or less important than military might?” It is the age-old “guns versus butter” conundrum.

Brazil and France have already wrangled with their citizenry over Social Security pension reform. They were the precursors that established arguments that will be used in the US case.

Our point in raising the issue now is so that concerned parties can ask the presidential candidates the crucial question before the election, then see whether the politicians make an about-face after the election in 2021. Whether Republican (fox) or Democrat (wolf), they are both of the dog family, and they are likely to prioritize military prominence in the world over humanity at home.

Bolstering SSS is essential for Black Americans' well-being. In 2019, 35 percent of Black American elderly married couples and 58 percent of unmarried elderly persons relied on Social Security for 90 percent or more of their income.<sup>3</sup> How will these Social Security recipients survive if their benefits are reduced substantially?

As early as 1994, we contended that the Social Security program was actuarially unfair for Black American males, in particular, due to very low life expectancy.<sup>4</sup> Although Black male life expectancy has improved somewhat over the past nearly thirty years, Black males still stand a reduced chance of receiving from the program what they contribute in present value terms.

It could turn out that potential revisions to the Social Security program do not affect retirees dramatically; rather working contributors to the Trust Fund may be affected most. If so, then Black American workers should also seek special provisions in new Social Security legislation to ensure that it is an actuarially fair system in light of Covid-19-like potential future events.

Generally, Black Americans should use every means available to pressure the US Congress and the President (whoever he turns out to be) to make special provisions in new guidelines to ensure that Black Americans are protected if, and when, cuts are made to the Social Security program.

In any event, you will not have long to wait to determine whether USDS trumps SSS.

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May 2, 2020

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<sup>3</sup> See “Fact Sheet: Social Security – Social Security is Important to African Americans.” July 2019; <https://www.ssa.gov/news/press/factsheets/africanamer-alt.pdf> (retrieved on April 25, 2020).

<sup>4</sup> See “Disparity in Net Present Value Social Security Wealth,” *The Black Scholar*: Vol. 24, No. 2, (1994), pp.19-29; <https://www.blackeconomics.org/BELit/brsocsec.pdf> (retrieved on April 25, 2020).

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