

PAYROLL TAXES FOR SOCIAL SECURITY IN THE UNITED STATES: THE FUTURE OF FISCAL AND SOCIAL POLICY ILLUSIONS

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This paper examines the validity of common assumptions about the basis of public support for the U.S. social security program. Various rationales for the social insurance approach are summarized and critically assessed. A review of public opinion surveys from 1935–1981 shows: (1) the distinction between social insurance and public assistance was not regarded as important by the public in the program's early years; (2) most Americans are now aware that the system operates on a pay-as-you-go basis; (3) there is widespread feeling that social security payroll taxes are too high, but at the same time a majority of the population thinks program benefits should be maintained or increased; and (4) serious doubt about the program's future is widespread, with many workers believing that there will not be sufficient money left for their own pensions when they retire. The paper concludes that the explanation of social security's enduring popular appeal and the phenomenon of mass toleration of rising payroll taxes is more closely tied to the perception that the program serves a deserving clientele, rather than a result of the social insurance approach.

Introduction

Since it was signed into law by President Franklin D. Roosevelt in 1935, the Social Security Act has been the centerpiece of social welfare policy in the United States. A key aspect of the watershed legislation was the inauguration of federally-administered retirement insurance funded by a payroll tax. As amended by the Congress in subsequent years, this system of social insurance has grown in both scope and coverage, to where now about 90 percent of all American workers

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participate in the old age, survivors, disability, and health insurance programs (OASDHI) known in the U.S. as "social security" [1]. Expenditures for social security have increased from \$40 million in 1940, the first year benefits were paid, to more than \$170 billion in 1981 (U.S. Department of Health and Human Services 1981: 27–28). Social security currently ranks as one of the largest items in the national budget, second only to the budget of the Department of Defense.

Recently social security has become the focus of growing controversy. In particular, since the mid-1970s the question of an acute fiscal crisis of the system has been the repeated subject of political debate and media scrutiny, accompanied by the oft-repeated question, "Is social security going broke?" In 1977 the Congress acted to forestall the imminent exhaustion of the old age and survivors insurance (OASI) trust fund by passing legislation significantly raising the level of payroll taxes. Yet, in 1981 the issue was back before the federal legislators, again cast in the language of impending financial disaster. The origins and consequences of the crisis in social security are both complex and well-documented (Munnell 1977; Cowan 1977; Campbell 1977; Campbell 1979; Kaplan 1976). A full consideration of all the relevant perspectives is obviously beyond the scope of this analysis. I shall limit consideration to the still not well-understood, but ultimately crucial, question of the public's willingness to continue support of the current funding and benefit structure of social security in the face of increasingly unfavorable economic and demographic prognoses. The paper explores how well public perception of social security taxes and benefits

[1] In addition to the old-age insurance (OAI) program, the Social Security Act of 1935 also established unemployment insurance and old-age assistance programs, among other measures. However, OAI was the only program financed and administered entirely at the federal level. When payroll taxes began to be collected in 1937, the term social security came into common use as the name for the tax identification number assigned to each worker in covered employment. Since that time, social security has come to be synonymous with OAI and its subsequent extensions: OASI (when survivors insurance was added in 1939), OASDI (with the addition of disability insurance in 1956), and OASDHI (with the latest major addition, hospital insurance for the aged and disabled – also known as Medicare – in 1965). In this discussion, social security carries the same connotation it has in common everyday usage: as a benefit, it refers principally to old-age and survivors insurance, but does not necessarily exclude disability and hospital insurance benefits; as a tax, it refers to the payroll deductions from covered earnings that are committed by law to the three social security trust funds: OASI, DI (disability insurance), and HI (hospital insurance). For a highly readable explanation of social security, written by a former Commissioner of Social Security, see Ball (1978).

corresponds to how the system does in fact operate. To what extent is public confidence in social security founded on misperception and misunderstanding? Will increasing scrutiny of the program and all the concomitant publicity effect any change in the historical patterns of public attitudes, especially concerning alternatives to the current method of funding? Finally, in view of these questions, what are the implications of the current state of public attitude and awareness regarding social security for public policy planning?

Public conceptions and misconceptions

The effort to understand American public opinion about social security has been impeded by a number of factors. Among the most troublesome of these has been the sheer complexity of the system itself, involving a flat-rate payroll tax (falling equally on employees and employers) on covered earnings up to a ceiling [2], the funding of three compulsory trust funds out of which benefits are paid, and a complicated graduated benefit structure that has been modified over the years to reflect the goal of assuring social adequacy over preserving individual equity in the system (Parsons and Munro 1977). The combined operation of the payroll-tax funding of the system and the tenuous relationship of taxes paid to benefits received probably places the understanding of social security's net effects beyond the normal range of interest, perhaps even the comprehension, of the average citizen, if not the average social scientist. Secondly, the inherent complexity of the system has been further muddled by the bewildering and often contradictory rhetoric about social security offered to the public by policymakers and other public commentators [3]. For these and

[2] When it first took effect in 1937 the payroll tax stood at 2 percent of gross covered earnings up to a ceiling of \$3,000, with 1 percent shares paid by both the employee and employer. In 1982 the comparable figures are 13.4 percent on the first \$32,400 of earnings – 6.7 percent for both employers and employees; the self-employed pay 9.35 percent on net earnings from self-employment. Of the 6.7 percent paid by employees and employers each, 4.575 percent goes to OASI, 0.825 percent to DI, and 1.3 percent to the health insurance fund (U.S. Department of Health and Human Services 1981).

[3] Critics and supporters have portrayed social security in starkly contrasting terms, cast in the language of hyperbole: on the one hand, as the “most successful program of social reform” (Nelson 1978), the “most important single piece of legislation in the first two centuries of

other reasons survey researchers have been discouraged from developing a satisfactory base of public opinion data spanning the history of social security. The public debate over financing the social security system has too often been marked by wishful thinking, blind assumption, and outright fallacy as a substitute for informed analysis.

The insurance metaphor

Much of the speculation about the sources and effects of public opinion about social security concerns the alleged role of a social insurance approach in securing general acceptance of the program. This concern dates back at least as far as the planning stages of social security in the mid-1930s. The members of the Committee on Economic Security, who were responsible for legislative planning, were firmly convinced that a solid social insurance foundation was essential for the ultimate realization of Roosevelt's New Deal social and economic goals. Reflecting Roosevelt's own expressed preference for moving American social welfare away from emergency relief and toward more permanent fixtures of protection, many members of the Committee came to their task with an ironclad commitment to social insurance already fixed in their minds (Conkin 1967; Altmeyer 1966; Witte 1962a). The architects of social security based their faith in social insurance on a number of rationales: some drawn from economic theory, some demographic and sociological, some historical (i.e., based on the European experience), others narrowly political, but the rationales of most relevance here are those founded on intuitions about mass psychology. Among the many arguments offered by Committee members in defense of a social

American history" (Aaron 1980: 3), and "the most successful program of the modern welfare state" (Samuelson cited in Derthick 1979: 4); or, on the other hand, as a "chain letter" and "sacred cow" (Friedman 1977), a "fiscal illusion" (Mitchell 1977), and a "fraud" (Ellis 1971; Shore 1975). If, as Allen (quoted in Derthick 1979: 166) has suggested, the defenders of the social security faith have come to regard it as "not as a program", but "as a religion", then it is just as true that many of social security's critics have responded in the uncompromising spirit of evangelical fervor. With few exceptions, matters of empirical evidence seem only to be marginally at issue in the expert debate. In the political realm Derthick (1979) and Patton (1977) have both noted the unorthodox postures that social security has evoked. Derthick states: "Here [in politics] the central themes are ambiguity, inconsistency, obscurity, and paradox. Ideological ambiguity and internal contradiction in the program meant that it could appeal simultaneously to liberals and conservatives. Insofar as principles were seen to be at stake, everyone's principles could be satisfied" (1979: 8).

insurance approach financed by earmarked taxes on earnings, the following stand out as examples of social-psychological hypotheses: (1) that the public would be more likely to approve of a program that could be publicized as something clearly different from "poor relief" (Cohen 1957, quoted in Derthick 1979: 199); (2) that linking benefits to prior employment experience would be popularly viewed as consistent with the Puritan work ethic and other core American values (Witte 1962b: 145; Brown 1972); (3) that general revenue financing of the proposed insurance program would place an unfair burden on individuals uncovered or ineligible for social insurance benefits, and might arouse opposition to the program (Witte 1962b; Altmeyer 1966; Brown 1972: 10–14); (4) that a program funded by general revenues would whet the appetite of beneficiaries for ever higher benefits, while a social insurance program would restrain such urges (Witte 1962b; Myers 1975; Altmeyer 1966); (5) and that the public would not tolerate the withdrawal of benefits committed through social insurance, with its implicit "moral obligation" to protect "as a matter of right" those who had paid into the system, while a universal grant program could be cut back or abolished at any time (Witte 1962b; Brown 1972).

The proposals for retirement insurance that eventually emerged from the Committee on Economic Security were consciously designed to reinforce the idea that social security was essentially a governmentally sponsored version of private annuity insurance, conceived on the sound principle of providing economic and social security only to those who had paid in advance for the coverage. So effective was the planning emphasis on building a strong insurance image for social security that in 1938 an article appearing in a publication of the American Institute of Actuaries complained that "Federal old age benefits, though already embodying a combination of the principles of equity and adequacy, unduly stresses the former" (Hohaus 1960). A terminology and set of procedures unique to social security were evolved to give further credence to the insurance metaphor: the legislation empowering the Internal Revenue Service to collect payroll taxes was titled the Federal Insurance Contributions Act (FICA), and thereafter government pamphlets and other documents distributed for public information referred to payroll taxes as "contributions" (U.S. Department of Health, Education, and Welfare 1978, 1980); beginning in 1937, each participating worker was assigned a social security identification number, which many workers apparently misconstrued as a retirement "account"

in which their "contributions" would accrue, to record quarterly earnings in covered employment; great emphasis was placed on the idea that only those who paid into the system would be allowed to draw benefits later on; and, as several generations of Americans were reminded time and again by civic leaders across the political spectrum, "Social security is not welfare, it is a right".

Whether, as some have charged, the concerted effort to create and maintain the insurance metaphor smacked of paternalism (or worse, cynical deception) or whether, as the proponents of social security have maintained, this effort was motivated by the benign goal of establishing a long overdue and sorely needed system of economic security and social protection, cannot be assessed here. We can, however, address some of the important corollary questions that are at the base of the rationales summarized above: Was it really necessary, from the standpoint of public opinion, to play up the insurance aspects of social security? Did the insurance "illusion" need to be maintained in order to induce public support for the program? Would wider dissemination of information about the true nature of the system (especially as it was altered by subsequent reforms) have led to increased public resistance of any significance?

Insurance versus assistance: early public opinion

Schiltz's (1970) review of surveys from 1935 to 1965 reveals that broad public support for the old-age part of social security was present at the program's inception, and that this support grew even stronger as time went on. Approval for the new program ranged from 68 percent in 1936 to over 95 percent of the public in 1943 and 1944. This level of support was unprecedented in any other area of social policy. However, at least in the first decade of social security's existence, most Americans did not seem to be cognizant of the distinction between old-age insurance and old-age assistance. Part of the public's confusion undoubtedly stemmed from the multiple connotations attached to the term "pensions" at the time: during the 1920s many states instituted means-tested "old-age pension" programs for the needy aged; beginning in 1913 another public assistance program called "mothers' pensions" (given to needy female-headed families) was commonplace at the state and local levels. Thus, when early pollsters found that the public overwhelmingly approved of government old-age pensions, it was difficult to determine whether they had in mind the new social insurance

program, the new federally-sponsored (but state administered) old-age assistance plan, or the many extant state and local welfare programs of Colonial Poor Law heritage. Surveys from 1935–1944 found equally favorable attitudes toward insurance and assistance programs aimed at providing benefits for the aged (Schiltz 1970: 29–49). There are no indications that the public preferred a social insurance approach, as the architects of social security had anticipated, or even that there was substantial public awareness of the difference between insurance and assistance.

Table 1
Public knowledge about social security taxes and benefits, 1941.

	OAI participant	OAI nonparticipant
<i>Will you (will your husband) receive an old-age pension of any kind when you reach (he reaches) 65? [If yes:] Do you have any idea of how much it (they) will amount to?</i>		
Will receive pension–		
Have idea of amount	16%	13%
Have no idea of amount	39	15
Will not receive a pension–	27	55
Don't know	18	17
Total	100%	100%
(N=)	(1228)	(1239)
<i>Do you happen to know what the deduc- tion is for? [Asked only of those who reported having a deduction from wages for social security]</i>		
Responses potentially accurate–		
A fund for old-age benefits	35%	
Social security in old-age	10	
Old-age insurance	4	
Retirement fund	4	
Responses clearly inaccurate–		
Old-age benefits, unemployment etc.	16	
Unemployment	10	
Miscellaneous	4	
No response/don't know	17	
Total	99%	
(N=)	(844)	

Source: July 1941 Gallup survey reported in Schiltz (1970: 83–86).

One plausible reason why Americans in the 1930s expressed no preference for old-age insurance over assistance was that public knowledge about the new social security program was relatively low. Schiltz (1970: 79–90) cites the findings of a 1941 Gallup survey that asked respondents several questions about old-age pensions. As shown in table 1, when asked whether or not they anticipated receiving pension benefits when they retired, nearly half of those with social security numbers offered a negative or uncertain response: 27 percent said they definitely would not receive a pension, while 18 percent did not know. Even among the remaining 55 percent of social security participants who thought they would receive a pension upon retirement, most had no idea what the amount of the benefit would be.

The eventuality and amount of social insurance benefits was not the only source of confusion among early participants in social security. In the same 1941 Gallup survey only slightly more than half (53 percent) of those reporting having had payroll taxes deducted from their wages could offer even a potentially accurate explanation of the deduction's purpose. And only 4 percent of the wage earners reporting payroll deductions specifically mentioned "insurance" in responding to this question (see table 1).

Early in the program's history, then, the subtle reasoning and policymaking introspection of social security planners about the social insurance/public assistance distinction and the related fiscal issue of payroll taxes versus alternative methods of financing seems to have been lost, if not entirely misplaced, upon a public unaware of the differences involved.

Funded reserves versus pay-as-you-go: contemporary beliefs

The results of several recent surveys indicate that, at least among the population of adult Americans, knowledge about the realities of the social security system has improved since the 1930s and 1940s. In a 1979 nationwide survey conducted for the National Commission on Social Security, 71 percent of the sample correctly identified the pay-as-you-go nature of current retirement program operation (Hart 1979). Among young people aged 14 to 25, however, a survey done a year earlier found substantially less accurate knowledge about how the system works. Although 94 percent of the youth sample reported ownership of a social security card, only 44 percent were able to identify the correct response from three possible descriptions of how

Table 2
Public knowledge about social security operation, 1978–79.

	Percent
<i>[Statement selected by respondent as best describing the way social security works]</i> (1979)	
A. The social security taxes people pay today are set aside in a fund to pay for their retirement benefits later.	20%
B. The social security taxes people pay today are used to pay for the retirement benefits that older people receive today.	71
Not sure, volunteer other response	9
Total	100%
(N =)	(1549)
<i>[How the social security system works, sample of youth aged 14 to 25] (1978)</i>	
Employees and employers pay a social security tax, and government holds the money in trust. When people retire or suffer a disability, the money from the trust provides them income.	47%
Employees and employers pay a social security tax, and money collected each year is used to support those who are presently disabled, retired or widowed.	44
Government uses money from the federal income and corporate taxes to support the elderly and disabled.	7
No answer	2
Total	100%
(N =)	(2284)

Source: Hart (1979) and Social Research Services (1979).

the social security retirement program worked, including one choice incorrectly stating that income taxes were used to fund the system (Social Research Services 1979).

What are the implications of these findings? For one thing, greater public sophistication about the pay-as-you-go aspect of the program has not been accompanied by any change in the historic pattern of broad public support. Despite apparent awareness that “contributions” to the system are not being held in individual trust for retirement, social security continues to command extraordinarily high levels of public approval. The survey evidence strongly indicates that both among those well-informed and ill-informed about the system, spanning adults of all ages and youth, there is broad consensus that social security is a program whose benefits must be protected at almost any price (Harris 1977). Increased public familiarity with social security, it seems, has not bred contempt for the program; however labored social security’s insurance metaphors may have become, it continues to hold most favored status among social programs in the United States.

Payroll taxes in perspective

Critics of social security have remarked, in tones ranging from mild curiosity to outright incredulity, about the extraordinary forbearance American workers have displayed in tolerating recent increases in the payroll tax. These critics correctly point out that payroll taxes are regressive, not only in their flat-rate structure up to a ceiling on earnings, but also in the exclusion of unearned sources of income such as dividends, interest, and capital gains. In addition, many critics (and some supporters) of social security note the inequity inherent in the exclusion of over five million workers from payroll-tax liability – a group made up mostly of white-collar civilian employees of the federal government and those state and local governments not covered by social security (Brittain 1972; Mitchell 1977; Friedman 1977; cf. Cohen and Friedman 1972: 22–49). By all accounts, contend the critics, American workers should be up in arms about this “cruellest tax” of all (Miller 1974; cf. O’Connor 1973). And yet no organized revolt against payroll taxes has taken place. During the 1970s – a period marked by an outbreak of visible anti-tax sentiment from anti-property tax initiatives to voter rejection of school bond issues to organized income-tax resistance movements – revenues continued to flow quietly into the trust funds of social security with hardly a murmur of public discontent. A variety of interpretations have been offered to explain this singular case of taxpayer quiescence. One view ascribes the lack of mass resistance to sheer ignorance: working Americans, it is argued, not yet awakened to fiscal realities, have been duped into believing that their “contributions” to social security are voluntary, or at the very least workers are seen as cooperatively parting with their “contributions” only because of the mistaken belief that they are accumulating individual savings for their retirement years. Another view is based on a somewhat subtler tax psychology hypothesis, stemming from the fact that payroll taxes are deducted from paychecks on a regular basis, with no year-end “reckoning” of the total amount paid. According to this logic workers do not realize the real cost against disposable income of social security protection; moreover, the employer’s share of the tax (which almost never appears on the paycheck) is not regarded by the worker as a substitution for wages that would otherwise be paid directly; together, the “less visible” and “invisible” aspects of the payroll tax render it painless and, in terms of fiscal policy, trouble free

(cf. Break 1977; Brittain 1972; Tax Foundation 1966). Yet another line of argument stresses the structural context of fiscal psychology: even if the working population opposed the payroll tax, the contention is that there is little or nothing they could do to change the situation, since covered workers are a diverse, unorganized, and unorganizable mass; besides, there exist no institutional channels through which an incipient payroll tax protest could express itself even if it were able to mobilize a mass base of support (Derthick 1979: 202–203).

As shown above, recent surveys tend to contradict directly the first of these hypotheses. There is no evidence that any sizable fraction of the population currently labors under the misconception that social security “contributions” are voluntary. As for the possible confusion of social security with individual retirement annuities, the survey evidence further suggests that a majority of the population now knows that payroll taxes are being distributed as benefits in the same year they are collected. The other two explanations summarized above are more plausible, but still fail to meet criteria of both necessity and sufficiency; I shall argue below that there is a more basic explanation for the phenomenon of social security tax tolerance.

Payroll versus other taxes

Gallup polls first began probing public attitudes toward income taxes in the 1940s (Ladd 1978: 29); in the 1960s state sales and income taxes, and local property (real estate) taxes started to appear on national survey agenda, along with items asking respondents to rank various types of government spending in terms of priority (Public Opinion 1978). It was not until a very few years ago that social security payroll taxes found their way into national sample surveys – a surprising oversight in view of the fact that over the past 30 years payroll taxes have been rising faster than any other tax (Brittain 1972), and that for many households the payroll tax burden now exceeds that of income taxes (Bridges 1981; Schobel 1981; Pechman 1977).

As shown in table 3, in 1978 payroll taxes were regarded with only slightly more favor than taxes on income and property; by 1981, however, the perception that social security taxes were excessive had equaled that of property taxes, with the sharpest rise in anti-tax sentiment directed at income taxes. What is most interesting about this pattern is the lack of much difference: collapsing the “excessively high” and “somewhat high” categories, a mere 11 percentage points separated

Table 3
Attitudes toward payroll versus other taxes, 1978–81.

	Percent	
	1978	1981
<i>[General feeling about different kinds of taxes]</i>		
Federal income tax		
Excessively high	28%	52%
Somewhat high	43	32
About right	28	16
Extremely low	1	–
Property or real estate taxes		
Excessively high	42	41
Somewhat high	30	25
About right	27	33
Extremely low	1	1
Social security taxes		
Excessively high	29	35
Somewhat high	32	30
About right	38	33
Extremely low	1	2
<i>[Feel tax is too high]</i>		
Federal income tax	70	
State income taxes	47	
Local property taxes	64	
State sales taxes	45	
<i>[Which is the fairest form of tax]</i>		
Income	36	
Real estate tax	10	
Sales	43	

Sources: Roper survey for H & R Block, May 1978, and Roper survey March 21–28, 1981, both reported in Public Opinion (1981); Gallup/Newsweek survey, June 7–8, 1978, reported in Public Opinion (1978).

the three types of taxes in 1978 [4]. Compare these results with the status of the revenue measure traditionally “least disliked” by the American people, the sales tax. Surveys from 1969 to 1978 consistently

[4] Historically, income taxes and property taxes have been among the most unpopular forms of government levy in the United States. Since the 1940s, a majority of Americans have consistently expressed the feeling that the income taxes they pay are too high – a trend also found in attitudes toward local property taxes over the period 1969 to 1978 (Public Opinion 1978: 29–31). Judging from recent surveys, public attitudes toward the social security tax burden appear to be hardening, with a clear and apparently growing majority of the population viewing the payroll tax as too high.

found that the sales tax was regarded as “most fair” by a plurality and “not too high” by a majority of the public (Public Opinion 1978: 29).

Social security versus other benefit programs

Throughout the years, American attitudes toward social programs have shown a clear-cut structure of differentiation: cash benefits seen as benefiting young, able-bodied nonworkers have always been viewed with suspicion and hostility by a majority of the population. Such programs are unpopular because they appear to contradict cherished traditional values of individualism, hard work, and self-reliance (Coughlin 1979, 1980). In contrast, programs that serve the “truly needy” – including the “deserving poor” and other groups pictured as worthy in the popular imagination – do not threaten middle-class values and are typically blessed with high public approval. The process by which programs are defined for public consumption is complex and elusive (see Coughlin 1980: 120–124), but there is no doubt that social security has won a secure foothold as a respected program with respectable beneficiaries.

This conclusion finds independent support in the results of the surveys shown in table 4. By a margin of two-to-one, respondents in a 1981 survey conducted for the National Federation of Independent Business chose the alternative of increasing taxes over cutting old-age and survivors' benefits; in another 1981 survey, commissioned by ABC News/Washington Post, 68 percent of the national sample endorsed the idea of protecting social security benefits by taking money away from other programs, compared to only 15 percent who were prepared to see benefits reduced (Public Opinion 1981: 36). Other contemporary surveys have painted a similar picture of enduring public support for social security, voiced in such diverse terms as opposing greater benefit reduction for early retirement (67 percent opposed), rejecting an increase in the retirement age (68 percent), expressing satisfaction with indexing benefits to counteract inflation (72 percent, including those wishing to see benefits increased even more than inflation), and disapproving of a proposal to cut costs by reducing benefits by 4 percent starting in 1987 (70 percent) (Public Opinion 1981: 36–37). Among young people the story is much the same: in the 1978 youth survey cited above, only 9 percent of the sample characterized social security benefits as “too high”, compared to 44 percent who saw them as “too low” and 45 percent responding “about right”. These same young

Table 4
Attitudes toward social security benefits, 1978-81

<i>[Which statement comes closest to your own views] (May 1981)</i>	
A. Social security benefits should be reduced so that social security paycheck deductions stop going up.	15%
B. Social security paycheck deductions should be raised so that social security benefits don't have to be reduced.	17
C. Social security benefits should be protected at all costs even if money has to be taken from other government programs.	68
<i>[If the old age and survivors retirement program proves to be in serious trouble, which alternative would you choose] (April 1981)</i>	
Cutting benefits for future retirees	27%
Raising taxes	55
Undecided or both	19
Youth ages 14 to 25 (1978):	
<i>[Alternative preferred for social security]</i>	
Paying higher taxes	61%
Cutting back benefits	36
No answer	3
<i>[Feeling about current benefit level]</i>	
Too high	9
About right	45
Too little	44
No answer	1

Sources: Survey by ABC News/Washington Post, May 14, 1981, and survey by V. Lance Tarrance Associates, April 2-7, 1981, reported in Public Opinion (1981); and Social Research Services (1979).

people also expressed a clear preference, by a margin nearly the same as found among adults, for paying higher taxes instead of cutting back on social security benefits (Social Research Services 1979).

Social security has so far managed to retain its broad base of public support while other programs have fallen prey to reduced budgets or even extinction. In the wake of highly publicized tax revolts of the late 1970s (e.g., California's Proposition 13) a number of surveys at both state and national levels found a popular consensus that certain programs, especially local "welfare" and social services, should be targeted for cutbacks first (Public Opinion 1978: 33). To some extent these sentiments reflected a climax of taxpayer resistance that had been building throughout the decade, but the conviction that programs

aimed at the poor and minorities are excessive in cost and dubious in value has been a feature of longstanding in American public opinion, predating by many years the rapid rise in program costs and tax burdens in the 1970s (Ritz 1966; Gallup 1961). The feeling that "too much money is spent on welfare" has been expressed repeatedly in public opinion surveys over the years. Social security is not the only program that has escaped the twin plagues of taxpayer fury and budget cutting frenzy. Other types of government spending, such as health care, sanitation, and fire and police services, have also succeeded in maintaining their historically strong bases of public support (Public Opinion 1978). Still, as President Reagan learned in 1981, when his proposal to eliminate the minimum \$130 retirement benefit was overturned by Congress, no program appears to be more immune from budgetary assault than social security.

Uncertainty about the future of social security

Current danger signals for social security can be found in the results of surveys measuring public confidence in the system's future (see table 5). An alarming number of Americans are worried that social security is in serious financial trouble. A 1979 survey put the figure of lack of confidence in the system's future at 68 percent of the population (Public Opinion 1981: 35). Even more chilling, a CBS News/New York Times poll conducted in June and July of 1981 found that a majority (54 percent; 64 percent excluding nonresponses) believed that the social security system would not have sufficient money to provide benefits for their own retirement. Among respondents 18 to 29 years of age, nearly three-fourths thought that there would not be enough money available to provide social security benefits when they retired; among the 30 to 44 year olds, this same indicator found confidence only marginally higher (Public Opinion 1981: 35). A Harris survey done two years earlier found that of the 87 percent of a national sample who expected to receive social security upon retirement, 80 percent had doubts that the system would be able to pay them the full benefit amounts that are promised now (Business Week 1979).

The consequences of growing public pessimism about the financial soundness of social security are not yet known, but the potential for disruption is clearly a possibility. How long can any institution, even one graced with the broad appeal social security has enjoyed, survive

Table 5
Beliefs about the future of social security, 1981.

	Percent
<i>[Belief about the financial soundness of the retirement and survivor income part of social security] (April 1981)</i>	
System is financially sound	18%
System is in financial trouble	68
Undecided	14
<i>[Think social security will not have the money to provide benefits for their own retirement] (June/July 1981)</i>	
Total sample	54%
By age group:	
18 to 29 years	73
30 to 44 years	67
45 to 54 years	45
55 to 64 years	34
Over 65 years	13

Sources: Survey by V. Lance Tarrance Associates, April 2-7, 1981, and survey by CBS News/New York Times, June 28-July 1, 1981, reported in Public Opinion (1981).

under circumstances of such profound uncertainty about its future? The public's negative expectations may serve only to magnify the system's problems by interfering with short-term reform measures needed to put the retirement fund back on a sound footing. It should be noted that public beliefs about the seriousness of the current social security funding crisis are already far more pessimistic than justified; a recent study by the Congressional Budget Office (U.S. Congress 1981) projects that over the next five years deficits in the retirement trust fund will be more than offset by surpluses in the other two compulsory funds. But the surveys reveal that the public is far from convinced that their own stake in the system is secure. At least one-quarter (and perhaps many more) of currently covered workers say that they would withdraw from social security if given the opportunity (Business Week 1979), while a majority of the public favors making participation voluntary (Public Opinion 1981). Although current law prohibits individual withdrawal from the program, the dynamics of declining public confidence could eventually undermine the system's political support. More than any other popular misconception, the unnecessarily bleak vision of social security's future found in the polls poses the greatest current threat to the system.

Why social security is popular

A more persuasive explanation of the extraordinary mass support that social security has had over the years concerns the unique nature and position of the clientele it serves. Of greatest importance here is the sympathetic regard in which the public holds the aged and disabled: both are seen as intrinsically deserving. Moreover, the aged beneficiaries of social security provide both a real and symbolic representation of nearly everyone's interests. The symbolism flows from the universality of the aging process: only a minority of the population will directly experience poverty in their lifetimes, many will never know significant unemployment, a few may even escape illness, but everyone who lives long enough will grow old. The inexorable and universal character of the aging process lies at the heart of the "contract between the generations" implied by publicly-supported old-age pension programs. More immediately, most active workers have parents or grandparents who are receiving social security benefits, thus relieving a major part of the burden of support from the family. It may be less the middle-class values reaffirmed by social insurance than it is the middle-class interests served by nearly universal coverage that has generated social security's broad appeal.

Although this hypothesis is intuitive, and needs to be tested empirically, it does help to explain what many observers have called the paradoxical nature of public attitudes toward social security (e.g., Mitchell 1977). It is fully consistent with the survey evidence examined thus far. The coexistence of a popular mandate to protect or even increase benefits alongside a growing feeling that payroll taxes are too high is comprehensible only in light of factors outside the narrow calculation of economic self-interest. It is not that people are unaware of the transfer component of social security, nor that they are fooled by the rhetoric of contributory financing, but that they support the program for other, more powerful reasons. As determinants of public opinion, narrow economic factors have played roles secondary to the societal consensus that the aged deserve protection, and that it is to everyone's benefit to have such protection established as a right. An insurance image may enhance the appeal of social security, but it does not explain it. One need only look to the broad support that public assistance and social service programs serving the elderly have gained to

validate this conclusion [5]. Economists and other social scientists (e.g., Goodwin and Tu 1975) studying social security have paid too little attention to the many variables outside of crude individual costs and benefits that contribute to the formation of public attitudes. The distinction between income transfers and returns on investment may not be relevant to the formation of mass attitudes toward benefit programs. All taxes are not equal: the payroll tax cannot be examined in isolation from the wider public purposes it is perceived to serve. Across human societies, the provision of support for the aged is nearly a cultural universal [6]. Among modern societies the provision of economic security for the elderly is unquestionably a matter of societal consensus (Coughlin 1980: 57–74). The precise form of measures adopted to achieve this goal may not be the most important factor shaping public opinion. In retrospect, it is entirely possible that, whatever combination of elements they might have concocted, the architects of social security would have found it extremely difficult to design a retirement security plan that would have failed to win broad popular support.

Conclusion: reality and illusion in policy planning

The illusions that have emerged as most important in this study of public opinion are not the same ones typically addressed by critics of

[5] The list includes senior activity centers, meals-on-wheels programs, home visiting and health care services, and the Supplemental Security Income (SSI) program. As a public assistance program, SSI has been uniquely free of the obsession with excessive cost and perceived waste and fraud pervading media coverage and public discussion of other programs funded by general revenues. A plausible explanation of SSI's noncontroversial operation is that, like social security, it is widely regarded as providing aid to a deserving population, of which everyone is potentially a member. While these programs serving the elderly may be viewed sympathetically by the public, they have less visibility than social security – and are therefore more vulnerable to budgetary cutback.

[6] A review of cultural materials from the Human Relations Area Files shows that in nearly all traditional societies the aged are treated with sympathy and respect. Often they are granted special rights and privileges denied to younger members of the population. Economic support is usually provided through the family or community support systems. Almost nowhere are the elderly denied protection when they are no longer able to provide for themselves. Contrary to popular mythology, in the past Eskimo cultures did not typically abandon their dependent elders on ice floes.

social security. Neither the insurance metaphor nor the payroll tax burden represent the most salient issues affecting the expressions of public opinion examined here, despite the fascination these subjects continue to hold for scholars, policymakers, and self-styled experts.

Illusion has played a role in policymaking for social security, however. To the extent that fundamental programmatic aspects of social security have been rationalized in terms of the presumed dictates of public opinion, the total rationality of the policymaking process has been diminished. Criteria of social insurance eligibility and the mystique of contributory financing have preoccupied policymakers, but there is little survey evidence to suggest that these concerns are important to the majority of the population. Ironically, precisely the same elements of social security orthodoxy that were assumed essential to gaining public acceptance of the program are largely responsible for the current crisis of public confidence. Without a special trust fund, and not limited by exclusive payroll-tax funding, the question of balancing revenues and expenditures for old-age retirement would be subsumed under the larger issue of general government taxing and spending policy; providing adequate income security for the elderly would not be inconsequential under such circumstances, but neither would it be framed in the apocalyptic language of "bankruptcy" and "collapse". The unwarranted public fear that current deficits in the retirement program prefigure a collapse of the nation's foremost social welfare institution could have been prevented if early action had been taken to fund social security partially by general revenues. There are strong indications that 40 years ago a majority of the public would have endorsed such action, just as a majority would endorse it today. There is no evidence that partial general revenue financing would have seriously undercut the image of social security as a desirable, worthwhile program. Yet the idea of supplementing the retirement trust fund with general revenues is still an anathema to many of social security's proponents, who continue to insist that the program must be shielded from the stigma of "welfare". Neither the polls nor the experience of other programs serving the elderly support this position. By definition illusions are false, but they can have real effects.

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