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Social Security and the African American Male (A Cash Transfer System)

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All employed workers are required to contribute to the Social Security System; however, a disproportionate percentage of African American males never live long enough to collect any benefits from their contributions. On the other hand, the life-expectancy of white males is significantly longer than the life expectancy of African American males, and their collection of Social Security benefits tends to exceed their contributions to the system. The federal government keeps the Social Security system from becoming completely solvent by raiding it of any surplus funds it collects; thereby, preventing the Social Security Fund from developing interest income, and accumulating funds for future generations of retirees.

Key words: *Social Security, African American, male, life expectancy*

Introduction

Rawls (1971), in his now seminal work, *A Theory of Justice,* argues that laws should be formulated behind a "Vail of Ignorance" where those who make the laws are unaware of who would be advantaged or disadvantaged by the laws, but society would be better served. Only then would we have a *just* society (pp. 136–142). The *Vail of Ignorance* theory suggests that those who make law should have no idea of the differential effect each law they make will have upon the various groups in society. For African American males, the Social Security Act of 1935, and its subsequent amendments, would be a *just* law *if* it had been formulated in such a manner. Instead, the components of the Social Security Act were formulated with knowledge of the Act's

impending differential impact for African Americans in general, and for African American males in particular. Over the years since its enactment, the bill itself has proven to be highly unjust for African Americans, and particularly for African American males.

In the United States legislation is developed by a group of upper class, wealthy white men and women with their eyes closed to racial and economic justice for African Americans, and wide-open to dominant group advantages. For example, "The New Deal, seen by many as a progressive movement towards equality, incorporated several provisions explicitly designed to maintain racial privilege. . . . As a result, the Social Security Act of 1935 excluded domestic servants and agricultural workers—jobs predominantly filled by African-Americans" (Barusch, 2002, p. 314). Euphemistically, this system is variously called representative democracy, participatory democracy, or even equal opportunity. It appears that many, if not most, of our laws are promulgated on planned structural discrimination, class exploitation, and intergroup (race, class, age, and gender) antagonism. Social Security is one of the most glaring examples of such laws.

The purpose of this article is to explore an issue that is seldom spoken of, and almost never explored prior to the introduction of the rhetoric of privatizing Social Security into the political arena. That issue is the complex relationship between African-American males, Euro-referenced white males, and the Social Insurance Program known as Social Security OASDI (old age, survivors, and disability insurance): the economic system of entitlements for the aged. The approach to the topic is exploratory-descriptive. Therefore, while narrowly focused, it is anticipated that a number of serendipitous questions and issues will arise in the course of discussion. However, this is a single issue article: *does African American male's contribution to the Social Security system constitute a de facto cash transfer from African American males to white males?*

The exploration of this issue began with an assumed relationship between the differential life expectancy of African-American and white males in the United States, and the distribution of Social Security benefits in retirement. That led to the question of who pays into Social Security (FICA), and who collect benefits from Social Security—the difference between the theoretical, and the actually. The British calls this process 'muddling through,'

here it is called an exploration of conventional wisdom on the issue of discrimination between African-American males and Euro-referenced white males through Social Security retirement benefits.

This article does not delve into pension funds, 401ks, or various other retirement plans, programs, or schemes in the private sector. Nor does it pretend to do comparisons between the increasingly diverse U. S. citizens of color and the Euro-referenced dominant group (white Americans) in our society. This study is narrowly focused on African-American males and Euro-referenced white males. At the end of this exploration, a modest proposal to reduce the suspected differential outcome of what is assumed about the equity of benefit distribution of Social Security, and the actual distribution of benefits of this so-called entitlement program.

A Perspective on the Problem

From the subjective perspective of the author, virtually every male member of my family, and extended family, followed conventional rules of the Protestant Ethics, and worked hard all of their lives. Each one of them made the mandatory contributions to the Social Security fund through payroll deductions. Each of these men died before attaining the age, set by the Congress, for retrieving retirement benefits from their Social Security contributions to the fund. And at the time of their demise—in a world now dominated by an ethos of asset accumulation and inheritance transfer—none of these men owned any significant assets to leave their children. These two events, coupled with the politicians' warnings about a looming Social Security Crisis raised many questions.

On the one hand, an overwhelming proportion of African American males who contribute to Social Security die before becoming eligibility to collect Social Security benefits. On the other hand a disproportionate number of white males live longer, and collect Social Security benefits that far exceed their contribution.

As for the 'so-called looming crisis' in Social Security, it is a political factoid—manufactured by politicians to cover up the Federal Government's rape of the Social Security Trust Fund

surpluses over the years. Federal Administrations, over the years, have taken Social Security Trust Fund surpluses to underwrite social programs they have promised the voters. The improvement in the quality of health and health care over the years suggests that more and more males, even African American males, will continue to live beyond the retirement ages of 65 now, and 67 in a few years hence. If left for its intended purpose, the social security surpluses will continue to accrue interest and grow to meet the demands of the growing number of males living beyond retirement age.

The Social Security Act of 1935

The broad " . . . policy objectives of the (1935) Social Security Act revolved around providing economic security for those in an industrial society facing the predictable problems of old age, unemployment, and disability;" (Whiteman, 2001, p. 4) however, it was limited in scope. The Act's focus was two-pronged: to provide long-term economic stability, and promote a sense of economic security for the aged, the unemployed, and the disabled. Hidden in the Act was a major long-term goal: promoting the principles of adequacy and equity among the citizens. The two broad objectives of stability and security were in response to the state of the economy, and the conditions of work at that time. Whiteman (2001) argues that "the principle of adequacy affirms the desirability of providing assistance to poor people to meet their basic needs. The adequacy principle tends to promote social policies that redistribute income such as welfare programs. The principle of equity asserts that people should receive benefits based on their contributions" (Whiteman, 2001, p. 4). Trattner (1999) saw it differently. He argues that " . . . the Social Security Act was a compromise framed within the political and fiscal realities of the day, . . . At worst, it was a conservative racist and sexist measure that fell far short of its title, one that clearly would not provide an adequate standard of living for those exclusively dependent on it" (p. 291). His view rested largely on noting those occupations excluded from participating in the Social Security system—occupations largely involving African Americans—and

the federal government's deference to state and local political influence.

The criteria for participation in Social Security precluded an overwhelming majority of African Americans simply by embedding the *code words* ***"covered workers"*** into the legislation. At the passage of the Social Security Act of 1935 sixty-to-seventy percent of African Americans were excluded on the basis of occupation alone. "Excluded occupations were ones in which women (and African Americans) were most likely to work, such as those in education, government, agriculture, domestic service, and charitable nonprofit institutions" (Whiteman, 2001, p. 67). Thus, it appears that the intent of the Social Security Act, from its inception, was never to benefit the general population—of which African Americans were a part. This point is further clarified by Duster (1996) when he notes that in "The New Deal, ... Roosevelt faced a solid bloc of white southern congressmen who refused to support any social security legislation that included blacks" (pp. 72–75, cited in Barusch, 2002, p. 314). Hence, the paradigm for discriminating against African Americans was built into the original Social Security Act, and subsequent amendments to the Act have not altered that fact.

For example, the words *"covered workers"* in the Social Security Act were the linchpin that created the initial, and formal, preclusion of older, disabled, and dependent African Americans—and especially African American males, partially through the use of the Black Codes, Jim Crow, and white preferential hiring—from the benefits of Social Security, a national insurance for the aged workers (Whiteman, 2001; Ginsberg, 1994; Trattner, 1999; Jansson, 1993; Axinn and Stern, 2005). The additional caveat of this formal preclusion for African Americans—and women and other minorities—was the specific phrasing *"continuous employment in covered occupations."*

The African American male predicament, with respects to Social Security benefits, is even more precarious than that applied to the larger excluded population. Present and past census data, and actuary risk calculations suggests the conclusion that through participation in Social Security African American males are actually underwriting white retirees who tend to live longer.

In other words, just as in slavery, the African American male provides much of the base of support for white Americans during their retirement years. In this instance, it is, in fact, *a cash transfer system* that is embedded in an income redistribution system where participation of workers is mandatory. And, the system is based on a government prescribed mandatory formula that requires equal pay-in (about 6.2 % of their earned income) by both high and low-income wage earners—*in covered employment.*

The term *"covered employment"* is a key concept in Social Security when it relates to African Americans and males in particular. A disproportionate percentage of African Americans, and other racial minorities fall into the category ***uncovered wage earners*** than do white Americans—domestics, day laborers, handymen, migratory and itinerate farm worker, to name a few: those occupations that are excluded from even participating in the Social Security system.

Low-income wage earners pay a larger proportion of their income into Social Security than do higher income wage earners. When we add into the mix the many complicating factors associated with structural discrimination and unequal employment opportunities, Black-White differential rate of income, the 'last-hired-first-fired' conditions of work, and other social and economic stressors attached to the costs of being African American male in the United States, it becomes even clearer how such life-chances shorten the longevity of African American males much more than that of the white male.

U. S. Census Data Projection of Life Expectancy of Racial/Ethnic Groups

The U. S. 2000 Census data projects that, on average, white females live longer than white males, white males live longer than African American females, and African American females live longer than African American males. The 2000 Census data reports that at birth, the life expectancy of white Americans is 72.0 and African Americans is 65.2—a differential of 6.8 years, on average. When distributed across gender females are " . . . white female infants can expect to live an average of about 5.2 years longer than white male infants, and African-American females about

7.2 years longer than African-American male infants" (Markson, 2003, p. 61).

A Cause for Concern

Today, there appears to be a streak of mean spiritedness in the land that is aimed at old folks that has a Social Darwinian ring. Our current government policies echoes of the past when Herbert Spencer took Darwin's work on Origin of the Species and applied some of its ideas to society. " . . . Social Darwinism loosely adapted Charles Darwin's theory of the origin of species to the principles of laissez faire, the doctrine opposing government interference in economic affairs. . . . and (in the spirit of "survival-of-the-fittest argued that) any interference with existing institutions would only hamper progress and aid the weak" (Norton, et al., 1990, p. 506).

The more wealthy U. S. citizens appear to be trying to wrest more from the least wealthy, and the most powerful are attempting to disfranchise senior citizens from an important program designed to keep them out of poverty at the end of their productive years. That truly is an echo of Social Darwinism. Towards the efforts of disfranchising senior citizens, especially those who have been precluded from full participation in the market place on a level playing field over the course of their lives, the Cato Institute, the Heritage Foundation, Frontiers of Freedom, and other organized efforts are being put forth that would lock a 'new serf system' into the U. S. social and economic structures (Meredith, 1999; Betts, 2002; Crane, 2002). They are proposing to privatize the entire Social Security system, and make each individual citizen responsible for managing his/her retirement investments. What each of these opponents of Social Security "omit" from their proposals has been pointed out quite clearly by Adler (2004) when he points out that " . . . free-market economics rests on a fallacy, which economists have politely agreed among themselves to overlook. This is the belief that people apply rational calculations to economic decisions, ruling their lives by economic models. Of course, economists know that the world doesn't actually work this way; . ." (NEWSWEEK, July 5, 2004, p. 44). Nor does the ordinary working person have time, knowledge,

of information to make wise investments in the ever-changing markets. Roth (2000) goes to the heart of this issue when he states, through a character in his book, *The Human Stain*, " . . . that for most people there isn't enough money to make (market investment) choices and there isn't enough education to make educated guesses—there isn't enough mastery of the market" (p. 268). And as the current economy has demonstrated, 'the market' is not reliable. That is the big hoax that is being perpetrated on U. S. citizens today.

Investing in the markets whether it is the stock market, the bond market, or any other any other financial market that changes on a frequent basis requires the accumulation of specific background and current information and knowledge. It requires the expenditure of a particular amount of time, usually at specific intervals during the day, week, month, and/or year. And it may also include the purchase and use of a computer—if an individual is going to *manage* his/her own accounts. Investing in the market carries an almost additional certainty: the involvement of a middle man, a broker. In a larger sense, "the transition to privatization would cost at least $2 trillion over the first 10 years and expose Americans' basic retirement savings to market risk" (Benjamin, 2004, p. 37).

In order for each individual to take on the responsibility of investing any portion of his/her Social Security retirement fund, even before making their first investment, they must educate themselves with the specific knowledge needed to successfully engage the investment process, and then invest in a way that will provide them with a profitable return on their money. Two critical questions that those who advocate the privatization of Social Security never speak aloud (and seems to work to keep them from arising in their privatization proposals—are these: (1) do the low, moderate, or even most middle-income U. S. citizens have the educational preparation, and time, to manage the investment of their own retirement funds; and (2) do they earn enough money to be able to pay an investment broker's commission that is taken on each investment transaction?

In recent years, Congress has passed legislation that increase retirement age, and eligibility to collect Social Security benefits, from 65 years of age to 67 years. This act further remove Social

Security benefits from the African American male whose life expectancy is projected to be 65.2 years. In the narrow focus of this article, this move appears to be blatant racism, because it is an informed decision, based on new longevity estimations. The life-expectancy data that these estimations are based on are the average longevity calculated based on a sample where Caucasians—with a longer life expectancy—outnumber African Americans by three-to-one. Of course, the dominant figures will prevail, and that only serves to increase the transfer of cash from the minority—with shorter life expectancy—to the majority retirees with the longer life expectancy.

The Case for Reform

Markson (2003), notes that "the elderly today differ according to their ranking in social hierarchies—a ranking that reflects diversity between different groups" (p. 12). While it is taboo, in the United States, to openly discuss citizens in terms of ranking and hierarchies they are facts of every day life. We live in a structurally discriminating society, and the odds that an African American male will live long enough to collect Social Security cash benefits are significantly less than those of his Caucasian counterpart. In fact, "African Americans live fewer years on the average than whites and live more years with chronic health problems" (Markson, 2003, p. 145).

The use of the Black Codes (Axinn and Stern, 2005) in post-Civil War United States were " . . . designed to regulate the lives of ex-slaves. . . . limited property rights, forbade working as artisans and mechanics, and otherwise specified the kinds of economic activities in which freed blacks could engage" (Axinn and Stern, 2005, p. 94), and the 'last-hired-first-fired' employment practices in modern America heavily influenced and precluded equal participation in the workforce, and hence Social Security. Such discriminatory employment practices in the work place were neither compatible nor consistent with the *twenty quarters of "continued covered employment"* prescribed by the Social Security Act. Therefore, a significant proportion of African American males were, and continue to be, forced to work in *uncovered employment* for a significant portion of their work lives—if not all

of their lives. Such restrictive conditions of employment severely limits or precludes their participating in the Social Security fund.

It is not difficult to see the morphing pattern of discrimination, exploitation, and oppression of African American males from *slavery* to the use of the *Black Codes* following the Civil War and emancipation which excluded former slaves from employment in the skilled trades; then the use of *Jim Crow* practices—with all deliberate speed; and presently under the guise of *"reverse discrimination"* and so-called *"preferential"* treatment.

A Modest Proposal for Reform

In the 2000 presidential campaign Vice President Gore proposed that the Social Security fund be placed in a "locked box" that would preserve its integrity, and protect it from being raided for its surplus funds by the federal administration. The concept of the "locked box" for Social Security should be developed and extended as a part of reform for the system.

In general, politicians and economists have not been altogether forthcoming with the reality of living in a market economy—especially as it relates to each individual investing all of their "Social Security" contributions in the market as a means of securing their retirement future. Carmichael (2004), reporting on a California Institute of Technology scientific study on the market and decision making, notes that " . . . free-market economics rests on a fallacy, which economists have politely agreed among themselves to overlook. This is the belief that people apply rational calculations to economic decisions, ruling their lives by economic models. Of course, economists know that the world doesn't actually work this way; . . ." (p. 44). This then, is the virtual dishonesty of the politicians and economists with the public when discussing the viability of Social Security through the years, and the merits of privatizing the Social Security system.

Another slight-of-hand tactic in a Darwinian-like approach to older Americans and Social Security is the fact that over the years the federal government has borrowed/raided hundreds of billions of dollars from the Social Security Trust fund surplus, to support many of its social programs. This is just another form of ***double taxation***. The first recommendation of this modest

proposal is that the federal government should be required to repay every penny that it has borrowed from the Social Security Trust fund, with market rate interest. That fact alone would render moot the ongoing polemic of whether or not the Social Security system is viable.

The life-expectancy of African American males is significantly shorter than that of white-Anglo males in the United States; however, both groups are required, by law, to contribute to the Social Security Fund at the same rate. Therein lay the inequity, or discrimination, of the system. Therefore, this Modest Proposal recommends that the age of retirement for African American males be scaled against the overall group life-expectancy—the age 65 may be a reasonable baseline.

Markson (2003) offers the idea that "a less extreme approach to privatization of Social Security is for a proportion of contributions to be invested in private stock market accounts with the remaining amount placed in Social Security" (p. 339) In this modest proposal, it is suggested that one percent of each African American male's Social Security contributions—indeed, all participants of the Social Security Fund—could be allowed for individual investment in the markets from the beginning of their contribution to the Fund. Upon the death of that individual investor the assets or losses of that account would become a part of that person's estate that will be taxed and/or passed on to his/her heirs. However, it is recommended that that private investment should be managed by the Social Security Administration (SSA) during the lifetime of each individual investor. With the SSA providing the management of the individual investment accounts the middlemen—investment brokers—whose 'commission fees' would constitute a drain on the meager investments of the low-income investor-contributors.

The notion that the "New Social Security" can be a combination program of government required contributions and individual investment in the market under government management are not opposing concepts, the antagonists of the Social Security system would like us to think they are. They are not. Think about this: one percent of a workers contribution to the Social Security Fund can be made available to the contributor for investment in the free-market. With the technology of today, this can be done

by way of a simple 'payroll deduction mechanism' that diverts the one percent into a bank account or investment portfolio each pay period. At each reporting period—quarterly, bi-annually, or annually—a financial statement-of-account will be forwarded to the individual investor, and the Social Security Administration will be provided a bi-annual or annual statement (electronic or hardcopy) for its use and records.

The idea of a Social Security 'locked box' for contributed principal—meaning that any and all surplus social security funds would ***not*** be available for governmental borrowing raids—as proposed by former Vice President Gore in the 2000 presidential election campaign. At that time the Vice President proposed that the Social Security Fund be placed in a "Locked Box" that would preserve its integrity, and protect it from being raided for its surplus contributions by the federal administration. The 'locked box' provision means that any surplus funds—funds needed to pay out to eligible recipients—would accrue interest at the going rate, and grow over the years; thereby, through perpetual growth become an autonomous source of funding for retiring contributors. That concept should be further developed and extended as a part of reform of the Social Security system. This reform would honor the original intentions of the fund. It would adhere to the idea that all Social Security contributions are intended to accumulate over the work history of individual contributors for his/her retirement. *It is not a federal tax* that is collected to underwrite social programs and/or miscellaneous pork barrel projects. Funds for those projects are collected directly from taxpayers, and dispensed from general revenue funds. The Social Security tax-fund is a mandated contributory system that was designed to provide a 'safety net' for its contributors at the end of their work life, not extra revenue source for the federal administration. The fact that the federal administration regularly raids the Social Security trust fund for its surplus' to underwrite favorite federal social programs that are not provided for in the federal budget is tantamount to an additional tax on Social Security contributors. In this way, Social Security surplus contributions are treated the same as a tax that is collected by the federal government, and as general revenue, to fund social programs that are written into the federal budget, but are given inadequate allocations in the budget.

The fact that the federal administration treats the Social Security surpluses as tax revenue is tantamount to a double taxation on social security contributors.

Historically, the social security funds taken by the federal government have never been paid back; therefore, the social security fund is not only being robbed of the surplus funds collected, and their future earnings at the market rate—funds that would grow, and keep the system self-sustaining—but the government is also depriving the Social Security Trust Fund of the interest that the surplus funds would earn over the years; thereby, strengthening the fund well into the future

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