

Social Security Costs

Social Security taxes workers to pay benefits for elderly and disabled Americans and survivors of deceased workers. Because birth rates fell after 1965, when baby boomers retire, the number of taxpaying workers supporting each beneficiary will decline from about 3.3 today to about 2.0 by 2040. Therefore, Social Security's tax revenues under current law will no longer cover benefits, and by the 2040s, Social Security will be unable to pay benefits on time.

Immigration supporters argue that increasing immigration will push the taxpayer/beneficiary ratio back up and thereby avert the Social Security crisis. Seemingly sensible, this claim is extremely shaky.

Immigration contributes little to Social Security's finances. Alleged tax payments by illegal immigrants of \$2.7 billion in 1990 were less than one percent of that year's Social Security revenues. So to substantially help Social Security, immigration would have to be much greater than it is now. Maintaining today's taxpayer/beneficiary ratio would require millions of immigrants every year, above future immigration already assumed by Social Security. Immigrants get old, too. So, still more immigrants and their adult children would be needed to pay their benefits – perhaps 180 million by 2080.

Adding such huge numbers of workers would depress labor productivity unless matched by trillions of dollars in investment. Since immigration is already making labor incomes stagnate, much higher immigration would almost certainly depress wages, and perhaps even reduce Social Security revenues. And most immigrants are poorly-educated and unskilled, hence earn low incomes, making them poor Social Security revenue sources.

Besides, much higher immigration would cause serious problems. The enormous population growth would overwhelm our infrastructure, energy supply, and natural resources, and greatly worsen urban sprawl. Political conflict is also likely, since poor working immigrants will understandably dislike being taxed to support wealthier Social Security retirees.

In some ways, immigration actually weakens Social Security. Some skilled foreign H-1B "guest workers" are recruited and supplied under contract to American firms. As employees of foreign firms, no Social Security taxes are withheld. Moreover, displacing Americans with cheaper immigrant labor means revenue losses for Social Security.

– John Attarian, Ph.D. (*Economics*) Author of *Social Security: False Consciousness and Crisis* (Transaction). Died: December 31, 2004.