US Social Security Administration announces effective cut in benefits

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The US government announced this week that Social Security beneficiaries would receive an insulting 0.3 percent cost-of-living adjustment in their monthly checks for 2017, amounting to about $4 for the average recipient, a cut in real income.

The $4 monthly increase is less than a round trip bus or subway fare in many major cities. It follows no increase at all for 2016. For the years 2010 and 2011, there were also zero cost-of-living adjustments, based on official claims of no inflation. As the National Committee to Preserve Social Security and Medicare said in a statement, “Over the past eight years, the current COLA formula has led to average increases of just over one percent” annually.

The average annual benefit for the 65 million in the US currently receiving Social Security is less than $15,000. The notion that the cost of living for these recipients has increased by only 1 percent per year for the past period is preposterous on its face. In New York City, for instance, the cost of a subway or bus fare has risen by more than 20 percent since 2009 ($2.25 to $2.75). Rent-stabilized apartments in New York have seen increases averaging significantly more than 1 percent annually, even after zero increases in the past two years.

In addition to keeping Social Security increases below the actual rate of inflation, the upcoming 0.3 percent increase will be entirely eaten up by increases in the Medicare Part B premiums (currently $104.90 for most Medicare beneficiaries) that are automatically deducted from Social Security checks.

The new premiums have not yet been officially announced but are projected as significantly more than a 0.3 percent hike. According to a “hold harmless” rule, which forbids an actual cut in Social Security benefits, however, the increase in Medicare premiums will be capped for about 70 percent of the 56 million people receiving Medicare. These relatively “lucky” beneficiaries will see their Social Security frozen while living costs continue to go up.

For about 30 percent of those on Medicare, however, premiums will go up much more. These include those eligible for Medicare for the first time, those enrolled in Medicare but not receiving Social Security, and those subject to Medicare surcharges because they did not enroll in the first year of their eligibility. These millions of recipients will see an absolute reduction in Social Security benefits for 2017.

In addition to the Medicare premium increases, Medicare trustees have also projected a sizable jump in the annual deductible before recipients can begin receiving their benefits. This is now $166 for the year and is projected to increase to $204. This increase alone is nearly as great as the average cost-of-living adjustment of about $48 annually.

Finally, the Social Security Administration has also announced a rise in the ceiling on wages subject to payroll taxes for Social Security, from the current level of $118,500 to $127,200. This change, at first glance not unreasonable, will in fact hit many working class two-income families where after-tax earnings do not leave much left over after mortgage and car payments, college tuition and other major expenses. The super-rich and the upper middle-class layers, who have incomes well into the six figures, will easily absorb what is a very small increase in their tax liability.

The continuous chipping away at retirement benefits is no small matter for the great majority on Social Security. Millions have already been forced to remain in the workforce well past the expected retirement age because their benefits do not begin to cover basic necessities. Now, those who face a modest increase in rent of $50 a month, for instance, will have not a penny in increased Social Security to meet the added expense. They will have to find some other way to cut their already meager standard of living.

The official Consumer Price Index (CPI) understates inflation by allocating a far smaller percentage of costs to such items as housing, medicine and transportation. Some advocacy groups call for the use of CPI-E, an experimental index that increases the weight of such items as housing and health care. Even this would leave most retirees far short of an adequate income.

The latest attack on the working class and especially on its most vulnerable sections highlights the grotesque character of the 2016 election campaign. The issue of Social Security never arose at the first two presidential debates between Hillary Clinton and Donald Trump. The candidates were too busy dealing with sex scandals and the importance of getting tough on Russia to discuss working class living standards.

According to a report in the *Huffington Post*, in fact, a retired government worker in North Carolina submitted a question to the Open Debate Commission for the "town hall" debate format at the second meeting between Trump and Clinton. According to *Huffington Post*, "Ellen Pleasant…struggles to make ends meet on her monthly check of $996 and a monthly state pension benefit of $299. She has declared bankruptcy twice in recent years, because she was not able to make her mortgage payments and 'do the things I need to live.'"

Pleasant's question about whether the candidates "support expanding, and not cutting, Social Security's modest benefits…was the third most popular question based on readers' votes, but the debate moderators never raised it."

Both Trump and Clinton have issued vague promises to defend Social Security. Clinton's more detailed proposals have been advertised as strongly supportive of the program, but a *New York Times* editorial on October 19 praises the candidate for "allow[ing] for compromise with Republicans who favor cutting benefits to keep the system viable." Clearly, no matter which candidate wins on November 8, attacks on Social Security and Medicare will escalate.