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Abstract

Michael Graetz discussed the risks of social insurance benefits to adequately address the needs of various groups in the United States. Social insurance was developed to cover the risk of low labor income over a lifetime and the risk of shocks to labor income. It is redistributed from upper to lower income people and to people over their life cycles. For instance, the earned income tax credit, food stamps and child tax credits address the needs of children born into poverty. Medicare, Medicaid and now “Obamacare” provides care and money to cover lost wages for those in poor health. While there are benefits to these programs there are shortcomings. Social Insurance relies on tax benefits as the basis of proving social benefits. State and local governments fund many of the programs, but there are huge variations depending on where you live. Finally, many benefits are available to eligible groups. For instance, the earned income tax credit penalizes additional income when someone takes another job. Finally, there is only one program that currently addresses the inadequate wages in the marketplace today: the earned income tax credit. The greatest risk to social insurance, asserts Professor Graetz, is political. In the face of a recession, the political system was unable to update unemployment benefits to adequately provide for unemployed Americans. Unfortunately, politics obstructed the intended purpose of the system as a whole.