Social Security and its Unsustainable Finances will be the Cause of a financial Crisis

Emmanuel Jn-Baptiste

Master of Science in Finance Candidate

Master's Thesis

5/17/2022

Saint Peter's University

Dedication

This paper is dedicated to my family for their unrelenting support, love and belief, which is the fuel that carried me through this journey.

Emmanuel Jn-Baptiste was a Finance major at Saint Peter's University who graduated in year 2021. He is graduating from the Masters of science in Finance from Saint Peter's University in May 2022 with a concentration in Quantitative Finance.

Table of Contents

Introduction

In this paper, the author will argue that social security and its unsustainable finances will be the cause of a future financial crisis to come. It's a gross, albeit common, error to naively accept old solutions to problems when there are only new answers and old answers. This endeavor aims to cut through the cleavages of contemporary's financial beliefs that have bedeviled this generation. Rolla may once assert that the "opposite of courage is not cowardice but conformity." Therein lies the problem, not in finances, but in people accepting contemporary practices without checking their references. The year 1971 is truly significant, it radically changed the operating system of money's value.

There are two types of means of exchange, there is money (which we had before 1971) and there is currency, in it, we see the word "current" similar to an electrical current or ocean current. The denominator between the two is that for a current to stay alive it must be in constant movement. This change led corporations to restructure their employee benefits plans. Before 1971, employers would offer definite plans, meaning they would pay their employees their usual salary upon retirement, today we have a contribution plan, where employers will match the employee contribution (e.g. 401 K) into a fund. Hence, many citizens who've dedicated their lives to working and contributed via taxes are destitute, they're barely afloat. The government is eerily dialectic in its operations, it's as though mediocrity is rewarded. Many governmental organizations aim to spend all their money knowing that if they have a budget surplus, their funds will decrease the following year. Their ineptitude carries over in all departments, and social security is our main focus.

The social security system in itself is a Ponzi scheme, though legal. For decades, the basis of the program was "entirely pay-as-you-go -- the taxes paid by workers went to pay for current retirees. When those workers retired, they depended on the next generation to support Social Security. Then, in 1983, Congress raised payroll taxes above the level needed for immediate benefits to accumulate savings for the retirement of the baby-boom generation." (Paul Starr,2005, 1) Hence the problem, more people are heading towards retirement than those who are coming of legal age (legal age meaning the individual can find and work). Social Security is meant for one thing and that is “to ensure a basic floor of income in old age and to enable many people who have struggled all their lives to look forward to a decent standard of comfort and dignity when they retire.” Paul Starr,2005, 1) That is not the case for many, that is my contention with this program. The national institute on retirement security asserted that people rely on three sources of income upon retirement. They rely on social security, pension, and their savings. Approximately more than 40 percent of Americans rely solely on social security due to the fact their pensions and savings are ineffectual.

Alicia Munnell stated that “today is in some sense the golden age of retirement income. Today's retirees are claiming Social Security benefits before the extension in the retirement age to 66 and then 67, which is equivalent to an across-the-board cut in benefits.” Similar to 2007, the trigger to catapult this country into a recession was the defaulting of loans, in the case of retirees it's an unexpected expense that will dry up their well. “Results indicate that typical older married adults spend 84 percent of after-tax household income, and unmarried adults spend 92 percent of after-tax income. Even at older ages, individuals devote a larger share of their expenditures and income to housing than any other category of goods and services, including health care.” The author is not a pessimist; however, health issues tend to come with age. People struggle financially due to the cost of medical bills, social security checks alone as we’ve seen in the paragraphs above, account for less than 40 percent of an individual's total income (Joshua H, 2008, 1).

The author suspects that it is just a matter of time before the government reneges on its promises. This is not a crisis where the government will be able to just hurl money and hope it atrophy over time. If that was the case the U.S debt would not be 23.3 trillion, since we could just print 23.3 trillion dollars and start the count at zero. This fact, considered conclusively, is not only an indication but presaged a crisis that is to come through the unsustainable finances of Social Security. Let us recall that the government has to include social security payments in its budget. The perilous fact is the government since 1870, which the exception of four years, has consistently run a budget deficit.

The tyrannical belief is that when operating at a budget deficit, it's easier to cut back on spending, break even or create a budget surplus. It is so much easier to cut back on spending than its to find new ways to create more income. The government's financial IQ is at best subpar: the Republicans solution is borrowing and spending, and the Democrats is to tax and spend, both equally driving the government into a chasm and abyss of financial problems. Therefore, in Chapter Three the author would like to challenge the government and its people to capitulate to old beliefs with these new insights that are being presented here. Adam Grant once remarked that the best predictors of the future are not necessarily the brightest or the most talented, but instead are the ones who are willing to take one more look, one more than others.

Many observers believe that society is living in unprecedented times and that the answers we had then are no longer working for us today. Hence, it is of the utmost importance to review how the government goes about supporting its people financially. The paradoxical thing is that social security was created as some sort of social assistance, to help citizens sustain their lifestyle long after they stop working, and yet it appears that it will paradoxically end up doing the opposite of what the program was intended to do.

In the author's native country of Haiti, some provinces are light years behind on innovations, and thus remain poor with living conditions that are considered obscene. The upper class sometimes will donate money to charities to build these provinces wells, so that water can help ameliorate their lives, but the issue is that they had money to build the wells there is none to sustain them, and, as a result, they started to malfunction.

These people became so reliant on these wells that when the wells stopped functioning altogether they were worse off. Social security is the well of today; the elderlies are becoming so increasingly reliant upon them that once the government starts defaulting (let us recall the debt ceiling was raised not too long ago) on social security checks, the country will be in a labyrinth of confusion.

Chapter 1

Survival of The Fittest Not the Strongest

There is a saying that goes “in the jungle, only the strongest survive". The same does not apply in the financial world. Those who are physically fit, who can run three miles or more can do that because they're fit and because they work at staying fit. In the financial world, those who have built an impregnable wall of security and guard themselves against unexpected tragedies like the ones that happened in 2007-2009 are financially the fittest, not the strongest. Money is vital to our survival. There are only two things that any individual can do with money. The individual can choose to either spend it or save it. When it comes to spending, our expenses are always someone else's income. That is crucial when it comes to effective demand. According to Keynes, demand creates its supply. This process translates into a domino effect where spending creates income, income creates sales, and sales create jobs. Thus, one can say that the epicenter of our economy is spending. Hence, GDP is equivalent to consumption, investment, government spending, and net exports. Consumption is a function of A+BY, where A is considered autonomous consumption (basic needs) and BY is considered discretionary consumption (wants). A majority of today’s consumption is in part due to the people whose financial needs are supported through Social Security.

Today, we live in a world, specifically the U.S where people allocate time and money in the pursuit of looking superior. People have developed the wrong conception of wealth, we live in a high consumption society, and thus it was bound for the tragedy that happened in 2007-2009 that caused the poor to get poorer and the rich to get richer. However, let us take a systematic and analytic approach and see how the crisis of 2007-2009 happened and how intrinsically it relates to our topic of discussion, that social security is going to run into financial difficulties.

The very catalysts that sparked the crisis in the 1980s are indeed the very same catalysts that sparked the crisis in 2007-2009. The crisis that happened we call a Boom and Bust cycle. This cycle usually occurs in a capitalist economy, during the boom cycle, the economy grows, and there are more jobs and opportunities. During the boom cycle, since the economy is doing well, we tend to overlook the risks that are associated with every financial decision that we make. We tend to overlook the risk because of three things. The first would be because of the financial market culture of excessive risk, the second would be because of the leveraging and risk transfer, and last but not least because of the inadequate regulatory oversight in the United States (Tale of Two crisis, Jerome,2013).

These reasons are interrelated, one has led to the other, like a domino effect. The crisis of 2007-2009 happened because corporations failed to learn that there must be a balance between risk-taking and control. Before the crisis most corporations were either unaware or indifferent about the possible consequences of their financial decisions. I strongly think and believe that the first rule of any sort of investment is the security of the principal, to analyze the possible outcome of what might go wrong, to expect the best, yet to prepare for the worst-case scenario. Before the crisis when they knew, or at least tried to look at the risk, the banks and corporations would just keep leveraging and transferring the risk because they're profit-oriented. Similarly, the government is in the habit of paying out Social Security checks, exclusively giving out money without considering the broader ramifications. Before the crisis of 2007-2009 "Neither the funds nor the banks worried about the rising debt because equity was rising due to the rise in home prices' ' (A tale of two crises). That is due to the fact of inadequate regulatory oversight in the United State. In the tale of two crises, it states “Agriculture flourished in the 1970s. Farm exports grew rapidly and along with the domestic inflation farm incomes reached all-time highs... Credit was readily available. Real interest rates were low and farmers used the rising value of farm assets as collateral for loans… When the bubble collapsed in 1980, asset values and equity fell drastically. The resulting rise in the debt burden was devastating, and the delinquency rate on loans rose drastically” (Tale of Two crisis, Jerome,2013)..

"From 1998–2005 rising home prices produced above-average capital gains, which increased owner equity. This induced a supply of mortgages, and the totality of household financial obligations as a percent of disposable personal income rose… In about 45– 55% of the cases, the purpose of the subprime mortgage taken out in 2006 was to extract cash by refinancing an existing mortgage loan into a larger mortgage loan… Many borrowers had little equity in their homes and found it difficult to sell or refinance because the debt exceeded the market value of the home. It was cheaper to default and avoid debt service than to rent new housing. Large banks and investors who made subprime loans or bought securities backed by them reported billions of dollars of losses".

The crisis of 2007-2009 was a déjà vu moment. The key factor at play here is whenever the economy is in the boom cycle, people tend to be aggressively impulsive with money. This is why there is always a bust, no matter how well an economy is doing, and if we are using everything to its maximum capacity, if we don't control it, it will lead to inflation, we need to understand the thin line between risk and control.

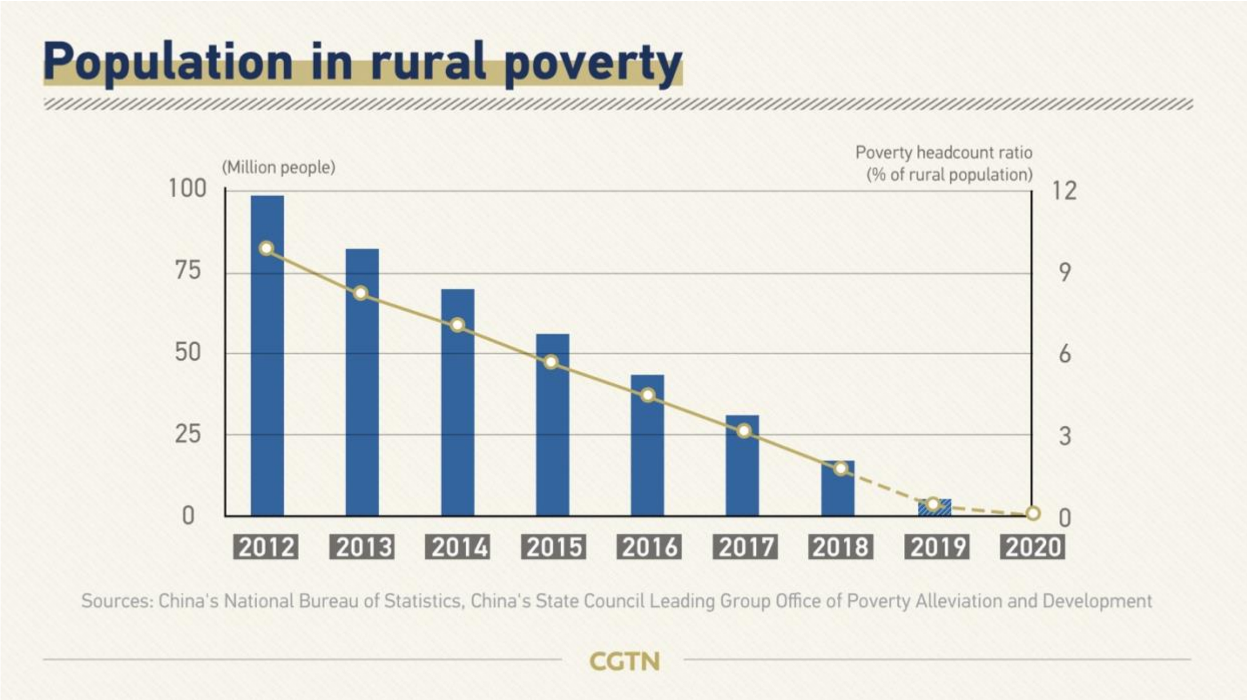
In an attempt to avoid being dialectic in his duties, the author vividly illustrated what happened in 2007-08 to urge readers to think with their heads and not their hearts, knowing it's almost inconceivable to fathom that Social Security is a stick of dynamite with a countdown. While the author is not even remotely insinuating that there are fraudulent practices in the program, however both in terms of paradigm are essentially the same, both are oblivious to risk.

If we were to look at the world as a probability of distribution when looking at a historical event, we should ponder the question, was that outcome inevitable or was it subject to randomness, and could other things could have happened just as well. It was inconceivable to bankers in 2007-08 to picture the housing market exploding and going into a chasm of catastrophe. George A. Mackenzie wrote an amazing article regarding the issue of social security, the author believes that more than 90 percent of American futures are in jeopardy when it comes to retirement. He went on to compare the US in various sectors with that of other countries. Surprisingly, in the U.S in terms of health care, the social component is almost near the bottom. Charles Adams, one of George A. Mackenzie primary sources, noted that there is a growing divergence between income inequality. The gap is only widening as time goes by. Which correlates with my hypothesis that people will grow to rely more and more on social security checks, which inadvertently when the government eventually defaults, a crisis is awaiting.

Stephen A. a prominent author for a financial analyst journal asserted that “although not everyone will achieve these savings rates, almost everyone will retire. They will mostly do so by engaging in personal fiscal adjustments, adjustments to either production or consumption. One can work harder (e.g., by getting a second job).” Getting a second job is an option but how long can one keep up the physical strain without depleting their health in the process, “But today is in some sense the golden age of retirement income. Today's retirees are claiming Social Security benefits before the extension in the retirement age to sixty-six or sixty-seven, which is equivalent to an across-the-board cut in benefits.” In Chapter 2 the author will present empirical evidence as to why there is a crisis to come through social security.

Chapter 2

Chasing the blue light was a catch phrase used to describe an era or point in time, specifically in the 19080s where people would love going to Walmart due to how low they would price their goods. This was mainly beneficial to families with low income to sustain their standard of living knowing they are on the edge of poverty. The question we should ask is what is poverty? How do we define poverty? According to dictionary.com poverty is defined as "the state or condition of having little or no money, goods, or means of support; condition of being poor". The second most important question we ask is poverty in the U.S a result of capitalism? Let's take a systematic and analytic approach to poverty.

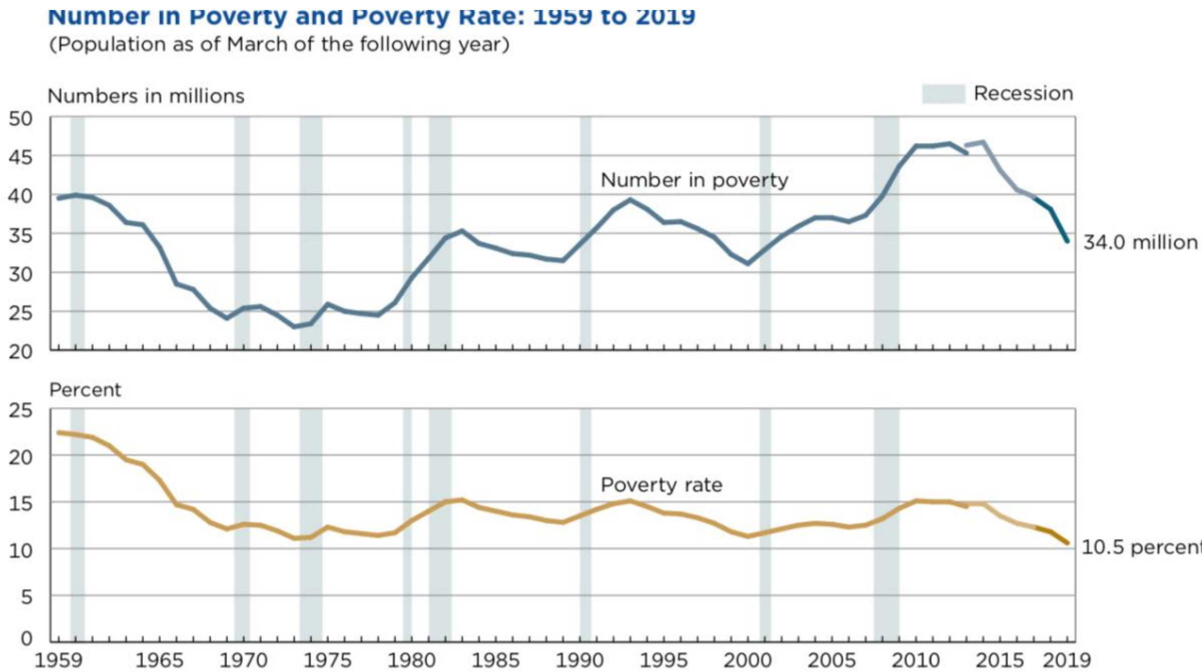


(Hong)

The graph above would state otherwise, that China is not a capitalist country and yet the poverty rate went down drastically throughout the years. Therefore, the issue is not all with the capitalist system we have in the U.S. Poverty itself is not an issue that should be discussed thoroughly, the author is not denying the fact that there are a lot of people who suffer from poverty, he is simply stating that condition has drastically improved in the U.S. According to Census.gov

"The official poverty rate in 2019 was 10.5 percent, down 1.3 percentage points from 11.8 percent in 2018. This is the fifth consecutive annual decline in poverty. Since 2014, the poverty rate has fallen 4.3 percentage points, from 14.8 percent to 10.5 percent."

As we can see in the graph below, poverty should not be a concern or that big of a concern today, the issue is not even within our system, the issue is a lack of financial education. The reason being that to make a living in the U.S financial education is not required, anyone can support themselves through any means of work. Hence, people are oblivious, or indifferent to their future, as they expect the government to keep paying out social security checks.



Census.gov

The author strongly believes that the wealth of a nation is not determined by its capital, but by the wealth of its people. Today we live in a world where we are taught everything except how to be financially intelligent. If we had more people who understood how money works, who are capable of making more financial decisions based on logic rather than emotions, who understood that income and wealth are not the same, it does not matter how much you earn, what matters is how much can you keep, wealth is measured in days. The eerie fact is people seem to measure their earned finances based on expectations to be provided by Social Security. The author will argue in this chapter that social security is not a means to an end, it is not a way for people to retire comfortably, let alone depend on it.

Rather, retirement and old age can come with uncertainty, and, in general, humans find uncertainty fairly frightening. Hence, humans develop customs and practices that attempt to mitigate the unknown and hence hold on to old practices that answer or promote the belief that they viscerally needed to stand on. The truth is there are many things flawed, theories or practices at their core, and yet it does not make them inefficient. For example, in the medical field, it is well-known that x-rays reveal illnesses that may be developing in the lungs, yet studies have demonstrated that 85% of the time doctors miss it and only discover the affliction once its effects are shown in the outer body. Should society indict x-rays and deem them ineffective? Most reasonable medical scientists would respond no, yet as time went on science has discovered some of its weaker aspects.

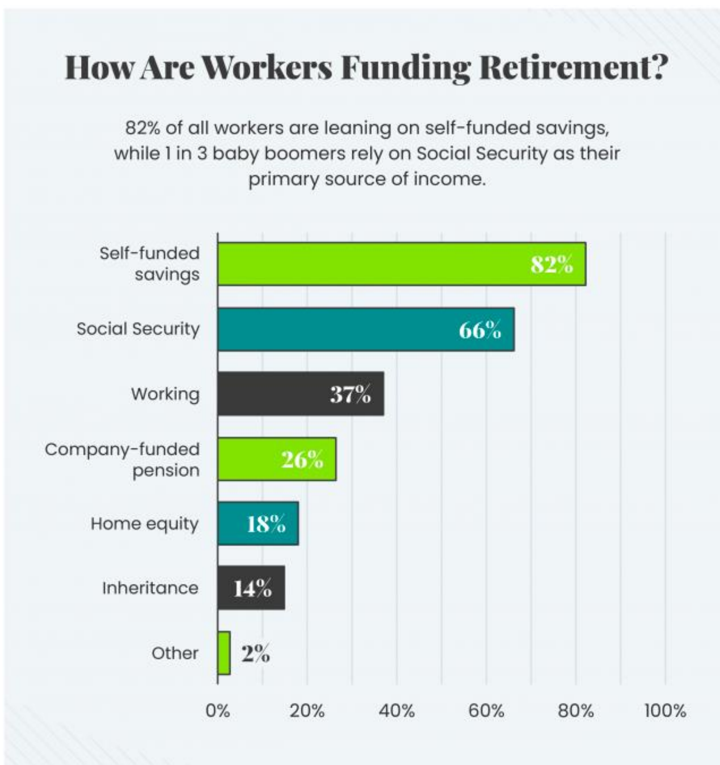
The same concept can be applied to Social Security, although in an inverse manner. Although the numbers will show the flaws of social security, people are oblivious to this matter because there are ’no alternatives.

Keynes once wrote that “People want the moon; men cannot be employed when the object of desire (money) is something which cannot be produced and the demand for which cannot be readily choked off”; in other words, this is because the marginal efficiency of money (money has two distinct properties, zero elasticity of production and zero elasticity of substitution) sets the standards against which other investments are measured or judged

Recipient	Unrounded annual amounts for— 2021	Unrounded annual amounts for— 2022 [a]	Monthly amounts for 2022
Eligible individual	$9,530.12	$10,092.40	$841
Eligible couple	14,293.61	15,136.93	1,261
Essential person	4,775.99	5,057.77	421

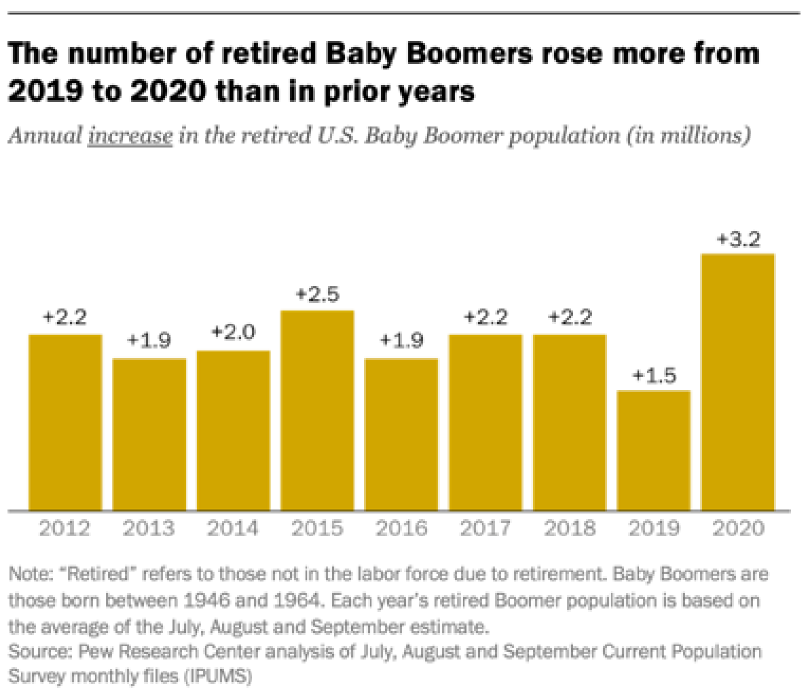
(SSA)

According to the official Social Security platform, the monthly average payments for couples are $1,261, totaling $15,136.93 yearly.



(Kim Borwick)

According to annuity.org, more than sixty-six percent of retirees depend on social security, meaning that a significant majority of older individuals are heavily reliant on social security as their primary source of income. Now, there are only two things that any individual can do with money income, which is either to spend it or save it. When it comes to spending, one individual's expense is always someone else's income, which is crucial for understanding effective demand, Keynes' biggest concept. According to him, demand creates its supply because spending creates income, income creates sales, and sales creates jobs. Thus, one can say that the epicenter of our economy is spending, in other words, consumption.



(FRY)

According to the Pew Research Center, on average, two million people are retiring yearly...The Pew research center also reported that" In the third quarter of 2020, about 28.6 million Baby Boomers – those born between 1946 and 1964 – reported that they were out of the labor force due to retirement. "Since on average the number of retirees is two million, we can assume as of 2022, the number increased to thirty-two million. Let us analyze what will happen to the number of yearly payments as the number of retirees increases, while keeping in mind that the fiscal budget to 2022 is estimated to be at six trillion dollars (AMADEO).

A	B	C	D	E	F
					Years
		2022	2023	2024	2025
Number of retirees +2M	2 Milion	32,000,000	34,000,000	36,000,000	38,000,000
Yearly payments	$ 15,136.93	$ 484,381,760,000.00	$ 514,655,620,000.00	$ 17,437,743,360,000,000,000.00	$ 19,556,913,560,000,000,000.00

Ex.1

Fact Sheet

SOCIAL SECURITY

In 2021, an average of 65 million Americans per month will receive a Social Security benefit, totaling over one trillion dollars in benefits paid during the year.

Snapshot of a Month: June 2021 Beneficiary Data

o Retired workers	46.7 million	$72.7 billion	$1,555 average monthly benefit
dependents	2.9 million	$2.34 billion	
o Disabled workers	8.1 million	$10.3 billion	$1,280 average monthly benefit
dependents	1.4 million	$0.6 billion	
o Survivors	5.9 million	$7.3 billion	

(Association)

Ex.2

Before talking about the numerical results, there must be a preliminary distinction between exhibit one and exhibit two. My analysis attempted to show how the number of payments will increase over time without including all the beneficiaries of social security. The table in exhibit one shows that by 2024, the number of retirees is expected to grow to 36 million. All things being equal, the yearly payment will be 17 trillion dollars, nearly tripling the government fiscal budget as of 2022. Let us recall in exhibit two the official numbers provided by the social security platform that shows one trillion dollars in benefit was paid out during 2021, including all the beneficiary on social security. If the author is right in his tale of woe, the social security program will be emptied by 2024. The same is applicable here, taking 2021 as a reference, what would happen to our economy if one trillion was instantly wiped out?

“People want the moon; men cannot be employed when the object of desire (money) is something which cannot be produced and the demand for which cannot be readily choked off.” Keynes knew that in times where a sense of desperation is growing amidst people because social security is running short of funds that the government simply will not be able to hurl more money at the problem. At that point, the debt deflation theory of Irving Fisher will become relevant in which if distress selling becomes widespread within a sector with assets devaluing due to the massive collective sell-off a financial crisis and recession can soon follow. In article written by Mark Miller from Reuters mentioned;

“That already is starting to happen. In fiscal 2018, expenditures exceeded revenue (including interest on investments) for the first time since 1982. Social Security took in $912 billion in fiscal 2018 and spent $991 billion. The difference - $79 billion - came from repayment of interest on those Treasury notes. Some conservative policy analysts point to that payment as evidence that Social Security is a cause of deficits, since the $79 billion payment came from general revenue. (Mark Miller, 2018, 1)”

That is to say if the author is correct about his predictions, spending too much money won't solve the problem, as the program is not breaking even in terms of capital inflow and outflow. Paul Krugman from the NY Times stated, “Greek debt was 126 percent of GDP. After five years, debt was … 177 percent of GDP” (Krugman, 2021). Hence, in the author’s estimation the Greece debt crisis originated because the government's fiscal policies included too much spending. The issue with the government is that it's far easier to spend money than to work toward an efficient way to create a budget surplus and if the number of retirees keeps increasing at two million a year, the social security program will eventually run dry and the government won't be able to just throw money at the issue. If this is an impending, inevitable crisis and if the author's predictions are correct, what should the government do? How can the United States preempt or change the course of what is to come? In Chapter Three, the author will go on and provide solutions as to what we can do to avoid a crisis.

Chapter 3

The golden question is, are there some sort of steps we can take to prevent future crises? I believe yes there is, in the days of yore, Babylon was one, in fact, the wealthiest nation there was. One may ask how come there was always a Boom period and yet barely any bust? It's not due to the fact there was no corporation, and they were not advanced in technology. There was barely any bust because the king understood one simple foundation of wealth. The wealth of a nation is not determined by its capital, but by the wealth of its people. The king heavily invested in the financial education of his people and as a result, Babylon had more people that were wealthy or more people who were financially free.

Today we live in a world where we are taught everything except how to be financially intelligent. If we had more people who understood how money works, who are capable of making more financial decisions based on logic rather than emotions, who understood that income and wealth are not the same, it does not matter how much you earn, what matters is how much can you keep, wealth is measured in days. People make the mistake of relying too much on one income, and when they lose their job, they are financially unstable, they cannot maintain the same lifestyle for one year or more and that's not even the average individual. The best way to do that would be to teach or make more people aware of how money works, and how to make quality decisions.

Human Capital

Germany's economic tale of World War I and their meteoric rise shortly after does pertain to the author’s topic, as it proves that the wealth of a nation does not depend on its capital but by the individual wealth of its people. The rebuilding of Germany was accomplished by the hardworking people of Germany and especially by their technologists and businesspeople. It’s an incontrovertible fact that Hitler was not a genius economist, he was not the reason as to why Germany rebounded so quickly after the war. Put simply, his only contribution was to put more people to work by printing money to employ them in public works projects and in the armaments industry.

The term that encompasses all the reasons, ad infinitum, why Germany thrived post World War I is human capital. The author adamantly believes and vehemently urges the government to restructure the courses taught in school. Earlier we alluded to the fact that many people lack financial education. Finance is indeed tangent to all industry, inadvertently causing money to sit at the center of our lives. The author is not at all insinuating that money is the most important thing in the world, but it does affect everything that is important to us. "what we sought, so shall we reap", the issue is we tend to view this concept from a moral standpoint and fail to see that this is how life works. Whatever endeavor we dedicate our best efforts towards, we will become an expert at it, but it does not translate into success regarding other areas of our lives. The preamble was necessary to shed light on the fact that people depend solely on Social Security as though their financial well-being is totally out of their hands.

People are eerily dependent on social security, had it been the opposite, the government wouldn't have to pay out so much to help people sustain their lifestyle long after their working days are over. The truth is a man's greatest asset is his unexpired years of productivity. The norm shouldn't be to go to school, work, retire and depend on Social security. If more people are financially educated, inadvertently it means less people being reliant on Social Security. Neal Templin from the wall street journal also demonstrated a panoramic understanding as to why Social Security is like a bomb waiting to be detonated. He goes on to point out that many are outliving their social security contribution, knowing that it only covers 40 percent of their current paychecks (Templin). The national institute on retirement security asserted that people rely on three sources of income upon retirement. They rely on Social Security, pension and their savings. Approximately more than 40 percent of Americans rely solely on social security due to the fact their pensions and savings are ineffectual (Security).

What changes in policies is needed?

The author showed concrete evidence that presages the coming crisis derived from Social Security and its unsustainable finance practices. Here are some ways we can proactively preempt the crisis;

I. Restructure our courses in school

The denouement of the crisis is clear and is interrelated with the fact that so many people are financially uneducated. Germany climbed inch by inch out the financial chasm they were in post-World War I because the majority of their people were educated. It's said that around the same era, they hold the title of most PHDs in comparison with the U.S and the rest of the world. It behooves the government to help restructure the courses taught in our school and prioritize the financial education of our youth.

II. Socialize governmental spending into nation spending

The General Theory suggested many solutions as to what a country can do to improve the economy despite the downside of capitalism. First, we can lower the interest rate, which inadvertently will do two things, euthanize the rentier and make other alternative investments attractive. The second solution will be to lower taxes on individuals with a high propensity to consume because spending creates income, income increases sales, and sales create jobs. The third solution to save capitalism is to socialize investment. The government should actively be investing for the sole purpose of enticing businesses and private sectors to partake in the better development of the economy.

We are more concerned with the third option, although it is subject to interpretation as John Maynard Keynes intermittently explained it. The author suggests that the government should redirect some of its spending towards its people, creating more programs where people who lack the means to study finance, to get acquainted with the subject. That will result in more people being financially educated and are apt to depend on themselves regarding their financial future, which presuppose a large decrease in the amount of people depending on Social Security checks.

III. The government need to generate more ways of income

For centuries the government has been far too reliant on taxes as its primary source of income. We've established the fact that the government won't be able to hurl money to solve the impending crisis. The Social Security administration needs to come up with more proactive ways to keep funding the program.

IV. Privatize Social Security

The government financial IQ is subpar; therefore, the handling of money needs to be facilitated through a channel of experts, thus exporting all pecuniary matters to Wall Street. The government can incentivize employers through the reduction of corporate taxes, new policies implementation to promote, to encourage the remittances of employees yearly benefit long after retirement. We alluded to earlier that there was a time, prior to 1971 before the rule of money changed where employers would continue to pay their employees post retirement. The government should promote the re-establishment of this process.

Conclusion

In this paper we examined the crisis that is to come through the unsustainable finance practices of Social Security. In addition to making our case we incisively pierced through the veil of normalcy, it's uncanny, unseemly that anyone would make such a claim, as Social Security is tantamount to any social niceties. Though the thesis is quite convoluted, the less convoluted fact is we are less inclined to question methods that historically have proven to work, we get comfortable and stop asking if there is a better way. The author would be derelict in his duties had he not shed light on this issue, as it's of paramount importance.

All three chapters apart, the denouement of the crisis is opaque, conclusively it is crystal clear. If the author is correct, this crisis will have a deleterious effect on the country. This issue is important because more than 40 percent of Americans rely solely on social security due to the fact their pensions and savings are ineffectual. As we alluded briefly earlier, spending, consumption is the epicenter of our economy, should 40 percent of spending drastically be wiped out, the ineluctable fact of history, specifically referring to 2007-08 crisis, a mass collective halt in spending will catapult the country in a chasm of financial disaster.

Works Cited

(SANDY), GEORGE A. *CFA Institute* . 2020. May 2022. <https://www.cfainstitute.org/-/media/documents/book/rf-publication/2020/is-there-a-retirement-crisis.ashx>.

Alicia H. Munnell, Mauricio Soto. *What Replacement Rates do Households Actually Experience in Retirement?* 10 Nov 2012. May 2022. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=797004>.

AMADEO, KIMBERLY. 18 February 2022. April 2022. <https://www.thebalance.com/u-s-federal-budget-breakdown-3305789>.

Assosiation, Social Security. n.d. April 2022. <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>.

Barbara A. Butrica, Joshua H. Goldwyn, Richard W. Johnson. 22 Jun 2008. May 2022. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1148888>.

Charles Adam Bee, Joshua Mitchell. 10 Aug 2017. May 2022. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3015870>.

FRY, RICHARD. 9 November 2020. April 2022. <https://www.pewresearch.org/fact-tank/2020/11/09/the-pace-of-boomer-retirements-has-accelerated-in-the-past-year/>.

History.com. 4 December 2021. May 2022. <https://www.history.com/topics/germany/weimar-republic>.

Hong, Zhao. October 2019. April 2022. <https://news.cgtn.com/news/2019-10-17/Graphics-Ending-China-s-poverty-by-2020-KREfWKGkIU/index.html>.

January 13, 2010. *A Tale of Two Debt Crises: A Stochastic Optim*. 13 January 2010. May 2022. <http://www.economics-ejournal.org/economics/journalarticles/2010-3/>.

Kim Borwick, Thomas J. Brock,. 5 April 2022 . April 2022. <https://www.annuity.org/retirement/retirement-statistics/>.

Paul. 15 July 2015. April 2022. <https://krugman.blogs.nytimes.com/2015/07/07/debt-deflation-in-greece/?mtrref=undefined&gwh=010BEA5192D4114E2FC6724EA7449C4D&gwt=pay&assetType=PAYWALL>.

Security, Retirement. 13 January 2022. April 2022. <https://www.nirsonline.org/2020/01/new-report-40-of-older-americans-rely-solely-on-social-security-for-retirement-income/>.

Sexauer, Stephen C. *A Pension Promise to Oneself*. 28 Dec 2018. May 2022. <https://www.tandfonline.com/doi/abs/10.2469/faj.v69.n6.4>.

SSA. n.d. April 2022. <https://www.ssa.gov/oact/cola/SSI.html>.

Starr, Paul. n.d. May 2022. <https://www.princeton.edu/~starr/articles/articles05/Starr-SocSec-2-05.htm>.

Templin, Neal. 9 May 2021. April 2022. <https://www.wsj.com/articles/the-biggest-mistakes-people-make-with-social-security-11620561601>.