Journal of Public Management Research
ISSN 2377-3294
2022, Vol. 7, No. 1

The Effects of COVID-19 on the Social Security System: A Public Finance Perspective

Matthew Uwakonye
Grambling State University

Jaron Schneider
Prairie View A&M University

G. Solomon Osho
Prairie View A&M University

Onochie Jude Dieli
Prairie View A&M University

Received: October 12, 2022 Accepted: November 17, 2022 Published: December 1, 2022
doi:10.5296/jpmr.v7i1.20354 URL: https://doi.org/10.5296/jpmr.v7i1.20354

Abstract

Currently, the country is still recovering from the COVID-19 pandemic, during which the Federal Government was forced to expand many of the programs under the Social Security Administration. During the height of the pandemic, government spending has increased to an obligation of 4.16 trillion. As the general public celebrated the booming economy of the mid and early 1920's the economy appeared to grow at a steady rate of approximately 5%, while the unemployment rate at the time averaged around 4%. Because of this boom in the economy, many Americans moved into cities and began to invest heavily in the stock market and other nontraditional investments for the time that promised the greatest return on their investment.

Keywords: COVID-19, Social Security Administration

1. Introduction

On the morning of October 24, 1929 traders in the stock market began noticing some trends that investors found to be concerning. By that afternoon large firms such as JP Morgan decided

Journal of Public Management Research
ISSN 2377-3294
2022, Vol. 7, No. 1

it would be best to bolster the market by spending approximately $240 million of their funds to help reassure investors that any fears about a recession in the stock market were unwarranted. Figure 1 shows exponential growth in the economy and projected growth of the U.S. gross domestic product of billions of dollars for the next 10 years. While this gamble on the part of these large firms had the desired effect, in the short term, many investors still had concerns with the stock market and the government's investment in the economy.

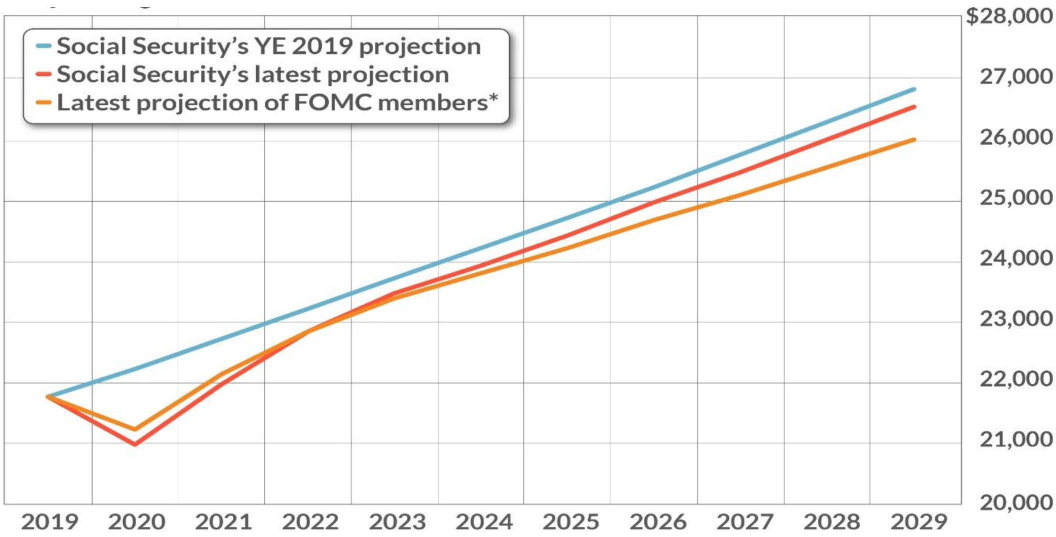

Figure 1. Economic Projected Growth of U.S. GDP (Billions of Dollars 2020-2029

Source: Social Security Administration. Federal Reserve, www.ulbertRatings.com

During this time the public had witnessed the steady rise of the stock market and economy after the country's involvement in the Second World War. While many viewed this continuous rise in the market and economy as a positive and much-needed result of the war, others including economists and investors grew concerned with the unbridled growth given the government's trade policies that were quickly implemented after the conclusion of the war. As the general public celebrated the booming economy of the mid and early 1920's the economy appeared to grow at a steady rate of approximately 5%, while the unemployment rate at the time averaged around 4%. Because of this boom in the economy, many Americans moved into cities and began to invest heavily in the stock market and other nontraditional investments for the time that promised the greatest return on their investment. Hence, the primary objective of this current study is to examine the effects of COVID-19 on the Social Security System from a public perception.

Journal of Public Management Research
ISSN 2377-3294
2022, Vol. 7, No. 1

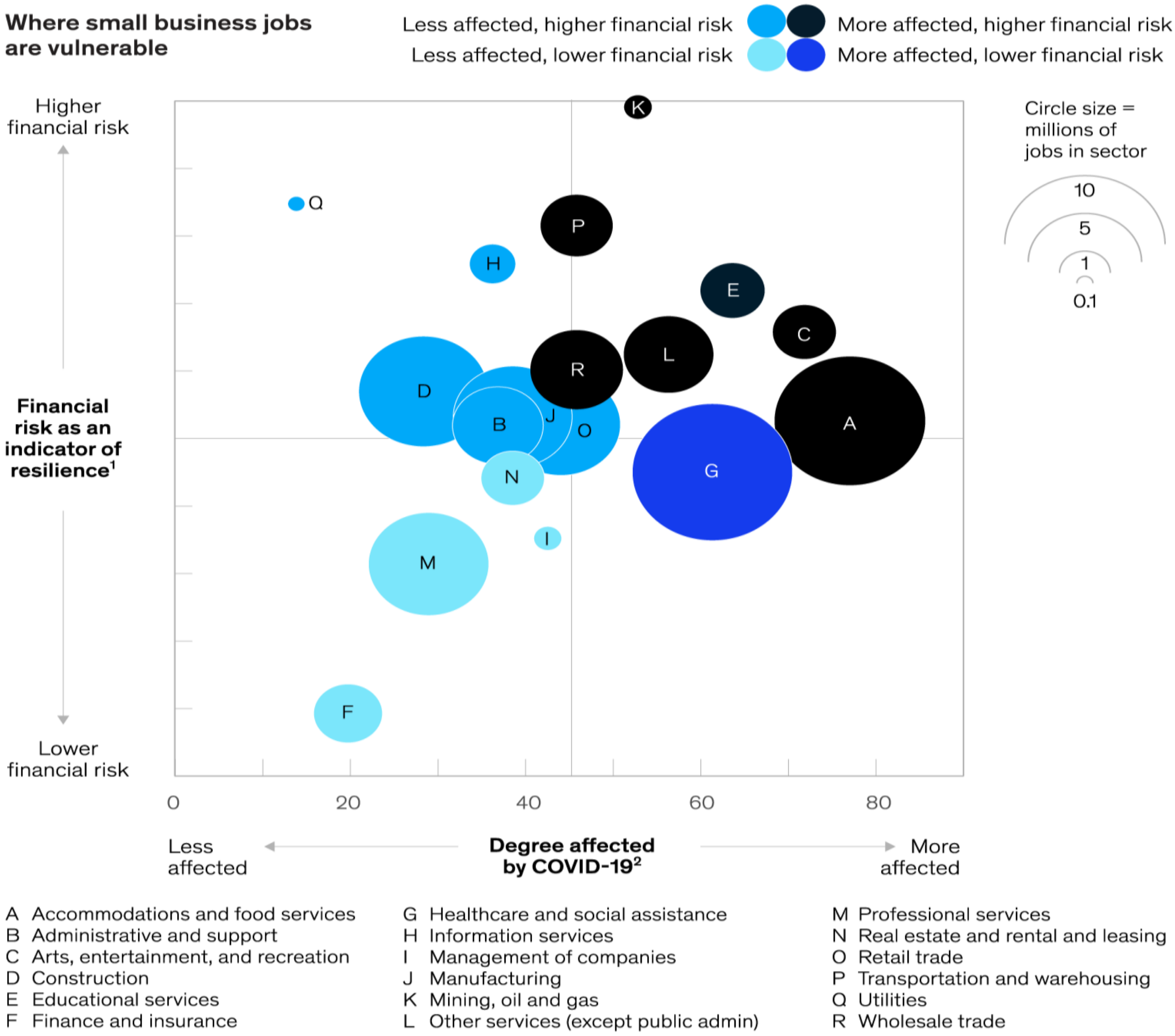

Figure 2. COVID-19 effect on Several Sectors of U. S. Economy

Source: McKinsey & Company (https://www.mckinsey.com/featured-insights/americas/which-small-businesses-are-most-vulnerable-to-covid-19-and-when)

As the federal government along with the banks and stock investment firms took advantage of this booming economy by encouraging citizens to invest in the stock markets, mutual funds, and other investing opportunities. Figure 2 indicates the COVID-19 effect on several sectors of U. S. economy, while the government wanted to improve funding for some of the social programs of the time, they also wanted to bolster a feeling of security in the American industry. While in Figure 3 shows the economic sectors and their public's top concerns, health costs, and COVID-19 effects. However, the methods used by the banks and federal government would result in a great recession along with a strain on social security and other social programs being offered at the time.

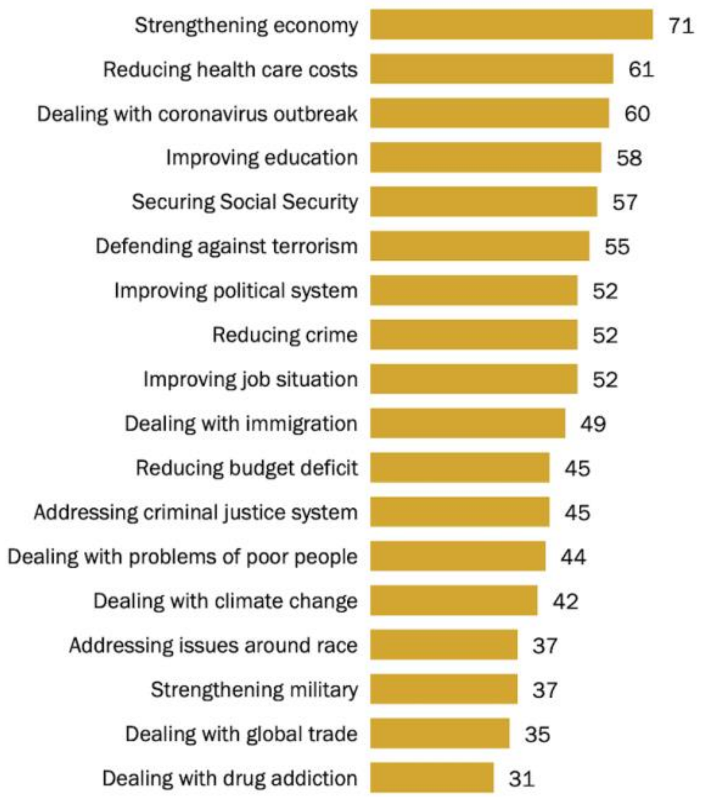

Figure 3. Economy and Public's Top Concerns, Health Costs, and COVID-19
Source: Survey of United State Adults conducted January 10-17 2022 by Pew Research Center

2. COVID-19 and Public Financial Issues

Investors during the time who had purchased stocks or bonds were only required to purchase 10 percent of the stock or bond value, while this alone would not present a problem if the individual was made to complete the purchase of these investments to collect the profits or dividends provided, these actions were never taken. Instead, the federal government made the mistake of allowing investors to purchase only 10% of these stocks, bonds, and other investments but when the investors sold their investments they would then receive the full value of that investment. As a result, the stock market and banking sectors could not keep up with the demand placed on them by Americans seeking to cash out on these investments. The result of these policies caused the Great Depression of the 1920s.

As a result of the Great Depression, President Roosevelt expanded the social programs under what we know today as the Social Security Office, to ensure that the American people would never have to suffer the effects of another large recession along with reducing the financial burden of a growing retiring populous and those suffering with disabilities. In 1954 President Eisenhower signed an amendment to the social security programs that would provide the general public with additional coverage against economic insecurity. He also added amendments that would provide disabled workers with benefits while adjusting the collection age and including the parents of children with disabilities to receive assistance. In the 1970s

Nixon signed amendments that created COLA, the SSI programs, and additional amendments that would adjust the retirement age to 62 for men with the option of collecting their retirement at a later age would result in a significant increase in pay received for those who chose to collect their retirement past the age of 65. From the late 90s to the present day many more amendments and political changes have changed the way social security services are distributed and qualification requirements.

Figure 4 indicates the COVID-19 spending package as a percentage of gross domestic products for select countries. It shows that about 14.5% of GDP was directed to COVID -19 in the United States. For many individuals, the most noticeable changes have come from programs that support individuals with lower income, single mothers, individuals with a disability, and recently including prior service members of the military who are disabled to apply for federal assistance and the ability to collect on their social security payments for those who qualify. This service is also extended to the service members' family members in the event of their passing.

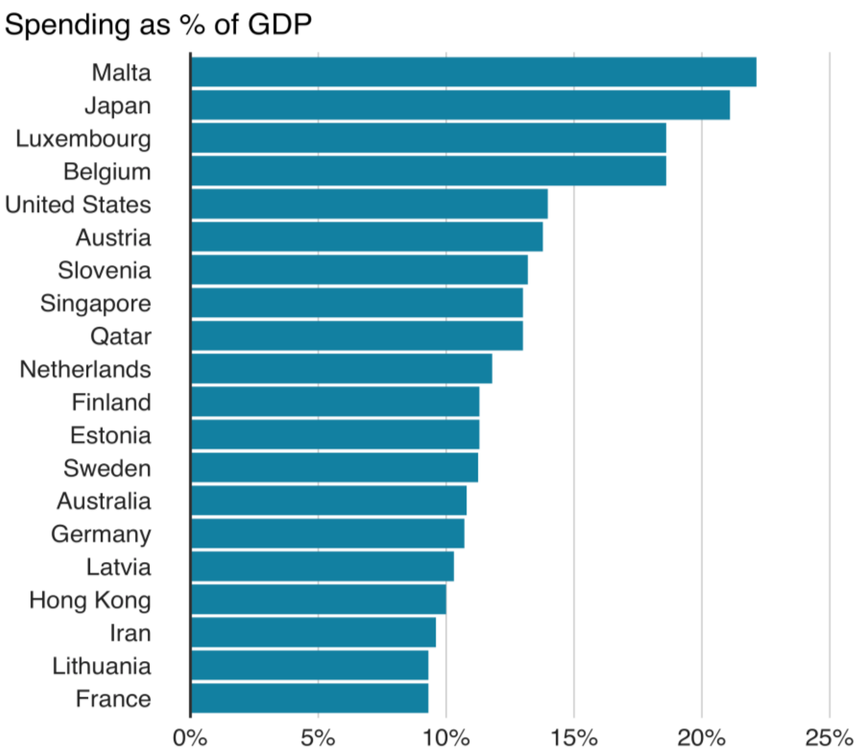

Figure 4. COVID-19 Spending Packages
Source: Ceyhan Elgin

3. COVID-19 and Public Policy Issues

As the government has made the necessary changes to help the American people, these programs' costs have also increased. Currently, the country is still recovering from the COVID-19 pandemic, during which the Federal Government was forced to expand many of the programs under the Social Security Administration. During the height of the pandemic, government spending has increased to an obligation of 4.16 trillion (Covid Relief Spending,

Macrothink Institute™
Journal of Public Management Research
ISSN 2377-3294
2022, Vol. 7, No. 1

wwww.usaspending.gov/disaster/covid-19?publiclaw=all), with the social security administration accumulating 358 billion. For many Americans' these numbers are unknown, and yet a necessary cost for having the needs of the public addressed by the federal government.

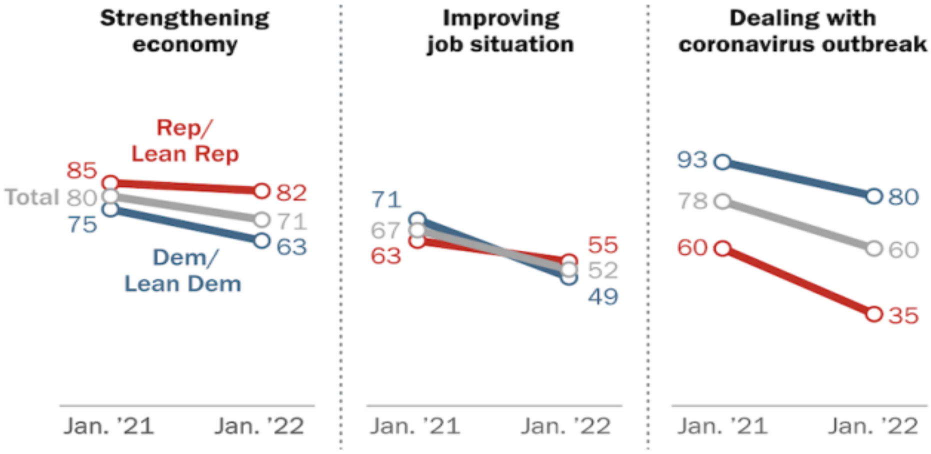

Figure 5. American's Assessment of the economy and COVID-19 as top policy priorities
Source: Survey of United State Adults conducted January 10-17 2022 by Pew Research Center

One of the many problems facing the government during the pandemic was the allocation of resources to meet the needs of the population with a growing unemployment rate while having to fund these programs with a significant loss in tax revenue generated by the growing unemployment rate caused by the pandemic. Currently, the federal government is still funding some of the social programs that were implemented during the implementation of the COVID-19 lockdowns. While Figure 5 indicates that Americans' Assessment of the economy and COVID-19 as top policy priorities as the economy is key policy priorities.

In addition, many businesses have noticed a loss in active employment numbers, as the subsidies provided by the federal government have resulted in many workers refusing to return to previous employment and choosing instead to participate in the moral hazard of receiving unemployment funding that often equated to a similar or significant increase in wages. We can see that the current state of federal legislation and policies has continued to encourage this behavior. In addition, the recent issue of illegal immigration has some individuals in the public and federal government concerned about the social security system's ability to sustain funding for these programs. Some economists have voiced their concerns over the current system and some of the programs that are being offered as part of the Social Security Administration.

4. Conclusion

Based on this research, we strictly consider that the current social security system will be overtaxed and in need of reform in the next 15 to 20 years. The greatest concern with the current system is that the actions of our government could very easily make a second Great Depression very possible by artificially stimulating the economy and encouraging individuals to draw on the social services and welfare who are capable of making a livable wage without the aid of the government. We must learn from the past so we can better prepare for the future of our country.

There is significant data from the federal census and the current tax revenue that show a noticeable decrease in the growth of family units, resulting in the eventual reduction of taxable income available for use by government programs including social security. The Social Security Administration has also predicted a significant decrease in individuals contributing to the fund while also having an increase in individuals drawing on these social programs by the year 2032. In the near future, there could be a significant shift in the way our federal government not only funds but offers social services. Perhaps even making a shift to more socialist or European programs to better meet the needs of the people.

References

Historical Background and Development of Social Security. *Social Security Administration,* Social Security History (ssa.gov)

Pfau, W. (2015, October 27). *A Brief History of Social Security.* Retrieved from https://www.forbes.com/sites/wadepfau/2015/10/27/brief-history-of-social-security/

Goss, S. C. (2010). *The Future Status of the Social security Program.* Social Security Administration.

Ferrara, P. (2022). The Future of Social Security. *The Future of Social Security | National Affairs.*

Copyright Disclaimer