

How to save Social Security and Medicare

By Roger Simmermaker

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At the heart of the political debate these days is how to curb runaway budget deficits that have amassed a national debt of \$14 trillion over the last three decades. To many, the answer to the problem lies in cutting popular benefit programs such as Social Security and Medicare.

But how did we get here? Some say we have a spending problem. Others say we have a revenue problem. I say we have both. But I'm not jumping into the conversation just to offer my opinion, rather I'm doing so to offer a way to find the much-needed revenue the U.S. Treasury lacks.

The good news is we don't have to cut either Medicare or Social Security. The even better news is we don't have to depend on Washington, DC, for the answer since the power lies in our pocketbook, wallet, or checkbook. The answer is Buy American.

Now before you dismiss this as far too simplistic, allow me to lay out a few undisputable facts that lay the foundation for my argument.

Fact #1: Awareness that workers in foreign countries don't pay taxes to America – only American workers do. Every outsourced job we support by buying foreign-made products is a potential drain on the national treasury. Why? Because it reduces demand for domestic employment at home, which ultimately leads to more government spending through unemployment compensation and job retraining.

We spend hundreds of millions of dollars a year in taxpayer money to retrain workers for jobs lost through import competition. So, leave the imports to rot on the shelves, buy American-made alternatives, and we'll save both the American jobs and the tax dollars for more useful purposes.

Fact #2: Awareness of the impact of the U.S. trade deficit on national revenue. In just the past 10 years, for example, the United States has suffered approximately \$2 trillion in cumulative trade deficits with China alone.

Imagine what good use we here in America could have made of that \$2 trillion of forfeited production. At least \$600 billion of national tax revenue would have been generated. Millions of American jobs would have been created instead of going to China. And that just gets us to a *trade balance*, so let's dismiss accusations of protectionism. After all, don't we all strive for balance in our personal lives, with experts telling us to balance work and family, job and recreation?

That \$600 billion in lost national revenue resulting in trade with China alone (we have multi-million dollar trade deficits with several other countries as well) doesn't take into account a conservative 5-to-1 ripple multiplier ratio, which means that \$600 billion actually translates into \$3 trillion (\$600 billion times 5) in lost national revenue courtesy of our trade deficit with China in the last decade alone.

Here's an example of how the 5-to-1 ripple multiplier ratio works: Let's say instead of buying a Chinese-made hammer at your local hardware store, you bought an American-made Estwing hammer instead. Then, because of your and others' similar patriotic purchases, the hardware store owner decides to expand his business and hire a local builder to add more square footage onto his store. The local builder may decide to take his or her new revenue to take his or her crew to a local restaurant for hamburgers or pizza, which in turn supports the American cattle or dairy farmer, who in turn can buy more American-made John Deere farm equipment. The John Deere employees in Peoria, Illinois now have more money to buy more American-made hammers (or other any number of other domestic products), and the

restaurant owner can consider expanding his business as well, allowing the process can start all over again in countless combinations.

This is an example of how money can circulate several times within our economy when we buy American. But the first time we send that money overseas by purchasing that Chinese-made hammer, we lose and transfer all the future income streams and national wealth that are associated with that production.

Here's another way we lose national revenue. Let's say an American worker makes \$40,000.00 per year, through which the Social Security fund collects roughly \$6,000.00 (7 ½ percent paid by the employee and 7 ½ percent paid by the employer). Suddenly, that job is outsourced to a foreign country that pays lower wages. The employer not only saves money on labor costs, but also \$3,000.00 in Social Security costs (workers in foreign countries don't get Social Security). Plus, now the company no longer has to worry about the health care costs of the newly laid off American.

Another way to help save Social Security or prevent virtually any other funding shortfall, (admittedly this would require government interaction), is to require the outsourcing employer to continue to pay into Social Security even when they outsource American jobs.

Call it a tax on every outsourced job, or call it a 7 ½ percent tariff. It doesn't matter what you call it. Forget how it sounds or how it looks. What's important is what it accomplishes: *helping to save Social Security*.

Fact #3: Awareness that if we patronize American-owned companies instead of foreign-owned companies, we can nearly double the amount of tax revenue we send to the U.S. Treasury. Why? Simply because American companies pay almost twice as many taxes as foreign-owned companies. For example, both Ivory and Jergens soap are made in America, but Jergens is owned by a Japanese company (Ivory is American owned). Both Clorox and Lysol disinfectant are made in America, but Lysol is British owned (Clorox is American owned). And perhaps the best example of all is that Swiss Miss is American, but Carnation is owned by the Swiss.

Unless you happen to have extraordinary brand loyalty in any of the three above product combinations, there is no sacrifice in supporting the American company. The price difference is negligible if there is any. It's a no-brainer. And it's a viable way to increase revenue to fund the U.S. Treasury - not by spending more consumer dollars - but by using the money you're already spending.

Yes, there will be cases where the American choice may cost more. But isn't that worth if it means we're saving Social Security and/or Medicare? It's worth it in another important way too: we're not just saving those two all-important systems, we're also rewarding American workers, American owners, and American investors.

This problem is one that we can solve, and by doing so we're allowing all working Americans a way to enjoy the benefits of the systems they've been paying into throughout their long working history, now and into the future.

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