Decapitalizing Childhood: The Role of Social Security in Family Disintegration[1]

Scott T. Cross[2]

Grove City College

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Abstract

The U.S. Social Security system has caused wide ranging consequences on family structures, including the weakening of intergenerational bonds. Social Security has led to the decapitalization of children, reducing the incentive for parents' financial and emotional investments in their offspring. Historically, children were viewed as a primary source of elder care, but with the implementation of Social Security, parents' reliance on children for support in old age diminished, as their needs in later life are now largely covered by the state. This shift has led to a decrease in the sense of familial obligation and care, resulting in weaker family bonds and strained relationships between parents and children. This paper highlights how these changes have affected parental investment, suggesting a decline in the traditional family structure. The research emphasizes the importance of considering the economic and social ramifications of government welfare programs, particularly Social Security, on familial relationships and societal values.

Keywords: Social Security, Decapitalize, Children, Family

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[2] CrossST22@gcc.edu

"I wanted to discuss the suffering of humanity in general, but perhaps we'd better confine ourselves to the sufferings of children."

~ Fyodor Dostoevsky

"The true measure of a society can be found in how it treats its most vulnerable members."

~ Mahatma Ghandi

I. Introduction

The system of Social Security in the United States has cast ripples throughout the economy ever since it was first implemented. Although many view Social Security very positively, this institution has actually served to destroy economic relationships in the market generally and within the family unit in particular. In the United States, one effect of the Social Security system has been the decapitalization of children

There is extensive literature written on the effects of Social Security on the economy broadly and on traditional market institutions and metrics. These include Social Security's effects on unemployment (Mclaughlin 1991), national debt (Gertler 1999), average retirement age (Feldstein 1974), private savings (Feldstein 1979), and an expansive array of further subjects.

Additionally, much work has been devoted to studying the economics and organization of families. Included in these are analyses on birthrates, infanticide, intergenerational relationships, (Thornton, Chang, and Sun 1984), the demand for children (Becker 1981) (Tullock and McKenzie 2006), and much else. Becker's work, in particular, analyzes the economics of family decisions, including child-rearing and intergenerational investments. McKenzie and Tullock focus on the economic rationale behind child production and the role of family resources in this process. These works assist in examining how the Social Security system reshapes the financial and emotional investments parents make in their children.

Although there has been research conducted to analyze various market changes' effects on families, little to no research has been done combining these two bodies of knowledge, applying the same reasoning of Social Security on the market to the sphere of familial structure and intergenerational bonds.

My research seeks to add to the literature related to welfare, Social Security, and end of life care. It also adds to the literature on family organization and structure.

II. The Roots of Social Security

a. The Welfare State

Social Security finds its origins in the United States during the beginning of the 20th century. In this period, known as the Progressive Era, the U.S. experienced a large increase in governmental authority, most of which was justified by the insistence that measures needed to be taken for the health safety, and wellbeing of the citizens (Rothbard 2009). The public's understanding of government transformed from viewing the state as a "night watchman" with a monopoly on violence, to seeing it as a fundamentally imperative protector of the citizenry.

"Prior to the 1900s, local governments shared with private charitable organizations major responsibility for public assistance or as it is often termed, 'public relief'" (Hanson 2011). In addition to churches, family members, and private secular and religious charities, local governments had already begun to encroach into the sphere of public welfare. But this was only done on a comparatively localized level. The federal government had been largely kept at bay with regards to social welfare programs.

The comparatively small size of government started to change swiftly with the onset of the Great Depression as the federal government began assuming progressively more roles in the economy, diluting the free market in the process. The state's intrusion into the welfare sector took

a major step forward with President Herbert Hoover signing the Emergency Relief and Construction Act of 1932 into legislation (Hoover 1932). The following year, in 1933, President Franklin D. Roosevelt pushed the Federal Emergency Relief Act (FERA) into law, distributing more than $1 billion to various state agencies in its first year alone (Hanson 2011).

FERA was only a temporary measure though. Roosevelt seemed to view government as a benevolent paternal figure to the American people, explaining in a speech to Congress in 1935 that "among our objectives I place the [economic] security of men, women and children of the nation first" (Social Security Administration). The state, he said, had a responsibility to alter the market in certain ways to maintain the economic wellbeing of the people. This position, that the state has a duty to maintain the financial wellness of the people, led directly to the U.S.'s Social Security Act of 1935 (Social Security Administration 1935).

b. Social Security

The Social Security Act forced, among much else, "a universal and contributory social insurance program for eligible wage-earners who retired or died, leaving a spouse or family" in America (Hanson 2011). Although this federal program was originally optional for states to join, it eventually became universally accepted among the states, with major changes taking place in the 1960s and '70s.

This evolution that Social Security has experienced since its implementation simply exacerbated its original effects, with modern Social Security offering three distinct types of benefits: those for retirement, disability, and survivor (Feldman 2024). These "benefits" come at the expense of current workers, who are forced to pay a Social Security tax out of their wages. This money is then taken by the government and used principally to fund current non-workers. The non-worker recipients of the money are either people who are disabled and unable to work,

family members of an individual who has deceased but who was paying Social Security taxes, or an individual who is collecting money after they have ceased working and reached the "retirement age." The amount a person receives is based in part on the amount that was taxed from them while working.

c. The Family Before Social Security

Historically, prior to Social Security in the United States, members of the family unit were expected to take on the responsibility of each other during times of need and vulnerability. Although this fact tends to be obvious with regard to parents caring for their children, it also applies to children caring for their elderly parents at times when the parents are in a comparatively more vulnerable state. This care that the children give to their elderly parents could take a variety of forms including providing financial support, offering physical and health care, and ensuring funding for shelter and other basic necessities.

Elders often received this care within the context of multigenerational households, where the aging parents lived with or near their children to receive the constant support they required (Ruggles 2003, 139). Thus, family organization before Social Security was structured with the incentive to maximize mutual support. The parents would care for the children when they were young, and the children would care for the parents as they aged.

As Mathews and Rosner point out, "family members are credited with protecting their elderly members, continuing to treat them as unique individuals in a way that bureaucratic sectors of society cannot" (Mathews and Rosner 1988, 185). Family relatives have more distinct, localized knowledge about other members of the same family, which more removed members of society lack. With this more local knowledge, family members are often in a more favorable position to assist each other relatives. When a vulnerable household member such as a child or an elderly

parent requires support, other relatives would help by caring for the member in need. This often took the form of parents and children caring for each other. The risk of various forms of shunning (like disinheritance, isolation and withdrawal of affection) served to incentivize against certain members of the family freeriding, accepting the aid of members of the family while refusing to assist when other members of the family require help.

Additionally, parents invested in their children to ensure the children would have the ability to care for them in their old age. This investment type would vary slightly depending on the financial security of the parents. However, examples would include investment of time, money, and further resources in a child's education, care, health, wellbeing, job security, and a plethora of other possibilities. Without the existence of Social Security, parents expect a high rate of return on their investment in the form of end-of-life care from the children when the parents require assistance later in life (Tullock and McKenzie 2006, 40).

III. Social Security and Family Structure

a. A World Without Social Security

This background can assist in understanding the effects of Social Security on the structure of the family. Without the Social Security system, family dynamics naturally would have maintained the stronger intergenerational support that was observed prior to the policy's implementation. Compared to children when a Social Security tax was *not* imposed on laborers, children after 1935 have become decapitalized as a result of the enactment of the Social Security system. The comparative rate of return that was expected from children caring for elderly parents in their old age has decreased because the parents now experience a flow of resources coming to them through Social Security.

Without Social Security, parents would have to rely on their children more heavily to assist them as they aged because the state would not be available to offer Social Security assistance. Since the parents view their children as a source of support in later life, adults would be more likely to treat their children better, with more respect and kindness. Consequently, children on the margins would feel a greater sense of obligation to provide for their parents in return for the past support they received earlier in life. With children being treated better, they are more likely to have a good relationship with their parents and will be more incentivized to care for them as they age due to a perceived moral obligation to do so.

In this way, parents would be incentivized to care for their children more thoroughly because the children would be viewed as a type of insurance against the negative effects of aging. Conversely, children, having received exceptional care from their parents and having a close relationship with them, are comparatively more likely to want to care for their parents as they age.

b. Decapitalization of Children

All action is undertaken with the anticipation of earning a "psychic profit" (Mises 1998, 206). Parents who invest time and resources into their children are not doing so with the expectation of earning a monetary profit, as children are essentially a net financial liability until they reach the legal age of adulthood in the United States. Instead, parents invest in their children expecting that the non-monetary benefits of raising children will exceed the costs, implying a psychic profit. Part of this "profit" is made up of the rate of return the parents anticipate receiving in form of elder care from the children when they age.

As Becker explains, the demand for children, like every other demand, is downward sloping, indicating that, as children become relatively more expensive, less will be demanded: "The demand for children would depend on the relative price of children and full income. An

increase in the…price of children…reduces the demand for children" (Becker 1991, 138). Thus, as the rate of return of investing in children falls, the parent's demand to invest in their children will also fall. This is precisely what happens with the Social Security system.

The government provides a large amount of funding to parents as they age, so there is less necessity to ensure their children care for them. Unlike goods in a free market, older adults are not able to accurately weigh the costs and benefits associated with Social Security and children as substitutes.

This is because Social Security is not a voluntary commitment but rather is a tax that is forcibly taken from American workers regardless of whether or not the worker wishes to participate. Since the workers are forced to participate and automatically receive Social Security payments post-retirement if they contributed, the state has incentivized parents to automatically favor the Social Security option over children as a form of end-of-life care.

Parents are mandated to contribute to Social Security and can receive benefits because of this, so elders are incentivized to choose the state as a default option. This is because it seems superfluous to expend additional resources in raising children when the state is already fulfilling one of the primary roles of the child: caring for the elderly.

Thus, under the Social Security system, parents are comparatively disincentivized to invest financial resources and time in the children they have. This is because a significant portion of their financial needs in later life are met by the state through Social Security (Tullock and McKenzie 2006, 40). Parents anticipate the rate of return to be lower for investing in the children they have because of the reduced need for care from them in later stages of the parent's life.

IV. Implications

a. Immediate Impact on Parent Child Relationships

Firstly, as adults reduce investment in their children, a comparatively strained relationship between children and adults will develop. Parents will devote less time and resources toward their children, knowing that a large portion of their financial needs in old age will essentially be covered by Social Security (Tullock and McKenzie 2006). The children, experiencing less resources being devoted to them, will have more tense bonds with their parents. The lack of emotional and financial investment may lead to a comparative breakdown in trust and support, with children feeling relatively neglected or undervalued. Children will be less likely to develop a sense of obligation or desire to care for their parents as they age, further eroding the intergenerational ties that once existed.

An implication of this is that both parents are more likely to have a job. As children are decapitalized, parents will invest less in their children, spending less time with them. Since the parents do not need to spend as much time caring for the children, both parents will be more incentivized to have a job. This shift to more dual-income households will result in parents having less involvement in their children's lives, further deepening the growing emotional distance between the generations. With the assurance that their retirement and health needs will be at least partially covered by Social Security, parents face a reduced necessity to nurture their children as future caregivers.

b. Long Term Effects on Family Structure and Cohesion

The familial bonds that parents have with their children would also be weakened as parents no longer feel the need to invest in their children as much. Knowing that their financial need in old age will be largely covered by the state through Social Security, parents will withhold time and resource investment in their children, preferring to allocate these goods elsewhere.

Conversely, children experience a corresponding weaker connection with their parents because of this decrease in attention and investment. Children, who would have received much attention and investment from their parents before Social Security, will fail to develop the same sense of filial duty or moral obligation to care for their parents in their later years. This shift further lessens the intergenerational reciprocity that once existed in family relationships. A decrease in the respect that children exhibit toward their parents would also manifest itself as more fractured familial relationships lead to less reverence being shown toward the elderly. Children begin to view seniors as simply a burden that the state partially cares for, rather than an individual who is in the obliged care of the younger members of the family.

On the margin, a seemingly overlooked implication of these weaker family bonds is that children do not stay close to home after they grow into adulthood. Evidence of this can be observed in the fact that a sizable portion of the population does not live near their family but rather moves to live segregated from the rest of their relatives. Those that *do* move do not seem to experience overwhelming feelings of remorse or regret at the prospect of being geographically far from their family. Although there are undoubtedly many separate influences that bring about this outcome, the diminished sense of familial obligation fostered by Social Security contributes to this trend of geographic separation among and within families.

In a study conducted by the Pew Research Center, it was found that, "just four-in-ten of those who identify someplace else as home want to go back and live there" (Pew Research Center 2008). Only about half of those that lived away from their "home" keep in contact with family and friends by visiting or calling. This is in stark contrast to family structure before Social Security was implemented when, "in mid-nineteenth-century America coresidence of the aged with their children was almost universal" (Ruggles 2003, 139).

These facts would lend credence to the idea that the relationships between parents and children are suffering due to the imposition of Social Security. As children are decapitalized, parents feel a diminished sense of connection or obligation, leading to weakened emotional bonds. Children, having not experienced or been taught that it is their responsibility to care for their parents and other family members as they age, view elder care as the state's responsibility. Children logically develop the opinion that, with fewer familial responsibilities, they are free to move away from the rest of their family without experiencing the costs of neglected moral obligation.

This is, of course, with all else held constant. In response to the critique that parents seem to be more affectionate to their children in modern times than in the early 1900s, it could be the case that an additional factor was altered that overcomes the effects of Social Security. An example of this could be the founding of Child Protective Services in the United State in 1974, which mandates that parents' treatment of their children align with state guidelines (Willis 2022). It still holds, however, that child relationships with parents and vice versa are more strained than they would be compared to a counterfactual situation in which Social Security did not exist as.

V. Conclusion

As seen above, the U.S. Social Security system has negatively impacted family dynamics greatly by decapitalizing children, thus reducing the perceived necessity of investing in children as future caregivers. Although historically, family support has served as the primary mechanism for assisting in end-of-life care, these structures have weakened since the Progressive Era, as government welfare programs have increased. Social Security diminishes the obligation children feel towards caring for aging parents, leading to strained familial relationships and reduced emotional bonds. This shift contributes to a decline in invested time and resources as parents view children more as economic liabilities than essential sources of support in old age.

This research was limited to generally using economic reasoning to come to the conclusions. Future research should incorporate more empirical data, examining the issues presented and offering increased credibility to the claims.

It must also be noted that everything is multicausal, so other contributing factors have undoubtedly played a prominent role in the decapitalization of children. Examples of this include bans on child labor, which also decapitalize children, and a recent rise in feminism, which advocates for a decreased premium being placed on child investment. However, the laws of economics demonstrate conclusively that Social Security serves marginally to decapitalize children, reducing parents’ investment in their offspring.

Understanding these institutional arrangements is crucial for policymakers. Since Social Security negatively affects family structures, legislators may wish to reevaluate if such programs should be implemented. This analysis points to the fact that Social Security upends the family organizational structure when implemented, giving birth to presumably unintended results.

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