Social Security: The Time to Act is Now

National Academy of Social Insurance
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Pinch-Hitting for Dr. Aaron:
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Johns Hopkins University - SAIS
The diagram illustrates the cost of scheduled and payable benefits as a percent of taxable payroll over time. The source of the data is the 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Figure II.D2, p. 11.
Likelihood that OASDI trust funds will be depleted by indicated year

Trust Funds as percent of annual expenditure
### Use of Expenditure and Tax Changes To Close Projected Funding Gap: Two Congressional Plans

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Proposed benefit cuts (+) or benefit increases (−) as percent of projected funding gap</th>
<th>Proposed tax increases (+) or tax cuts (−) as percent of projected funding gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sam Johnson H.R. 6489</td>
<td>+116</td>
<td>−19</td>
</tr>
<tr>
<td>John Larson H.R. 1902</td>
<td>−28</td>
<td>+130</td>
</tr>
</tbody>
</table>

+ indicates a reduction in the funding gap; − indicates an increase in the funding gap
What has happened since 1983

1. Time until trust fund depletion has dropped from 75 years to 16 years
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4. Social Security benefits have not kept pace with total compensation
Once Upon a Time

Grandpa, tell us again about pensions!
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<td>4. Social Security benefits have not kept pace with total compensation</td>
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<tr>
<td>5. The demise of private defined-benefit plans increases the special benefits of Social Security’s indexed annuities</td>
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<td>5.</td>
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<td>6.</td>
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Progressive Program to restore balance and respond to social and economic change

1. Gradually raise wage base to cover 90 percent of earnings
2. Extend tax base to health benefits and certain salary reduction agreements
3. Increase progressivity of benefit formula—raise replacement rate at bottom, lower it above $100,000
4. Increase special minimum benefit
Progressive Program: to restore balance and respond to social and economic change

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9. Lift age limit on child dependents who are in school
10. Dedicate estate and gift taxes at 2017 levels
11. Increase payroll tax rates in 2060, 2080
<table>
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<th>Average over 75 years</th>
<th>In 75&lt;sup&gt;th&lt;/sup&gt; year</th>
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<tr>
<td><strong>Initial balance</strong></td>
<td></td>
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<tr>
<td>2017 Trustees Report</td>
<td>-2.83</td>
<td>-4.50</td>
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<td><strong>Impact of program</strong></td>
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<tr>
<td></td>
<td>+2.93</td>
<td>+4.60</td>
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<td><strong>Post-program balance</strong></td>
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<tr>
<td></td>
<td>+0.10</td>
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Argue about the program...

But *commit to action* as soon as conditions are favorable to cutting a deal
“Set the alarm for 2021”