Thank you, Lisa, for that kind introduction, and let me thank Ken Apfel, Janice Gregory, and your entire board for inviting me to speak here today. NASI has played a vital role in the national debate surrounding our social insurance programs, and I am delighted to be back here with such distinguished colleagues and friends.

I also want to congratulate John Rother for being honored with this year’s Robert M. Ball Award. John has dedicated his career to protecting the most vulnerable in our society – especially older Americans.

With his good-natured personality and his rigorous attention to policy detail, John personifies that all too rare combination of a hard head and soft heart. NASI could not have chosen a more deserving winner.

I am here to celebrate 75 years of what may be the most significant, effective, and game-changing social program ever signed into law in the United States. Consider that 75 years ago, the elderly poverty rate was estimated to be over 50 percent. Today, it stands at just under 10 percent – similar to the rate of working-age adults.

At the same time, life expectancy has risen. 75 years ago, life expectancy of a person at age 65 was about 12 years for a man and 13 years for a woman. Today, those life expectancies stand at 17 years for a man and 19 years for a woman. Or to paraphrase President Kennedy, we have added years to Americans’ lives, and life to those years. To decide to retire in America is now no longer a decision to grow poor. To decide to stop working now no longer means that you stop living.

Social Security is, without a doubt, a national treasure and I am proud to be here today to celebrate its 75th birthday.

To be sure, whenever a major new program is created -- even one that ultimately turns out to be quite successful -- not everyone immediately sees the merits. When the original Social Security legislation was under consideration, one Senator from Delaware proclaimed that that the program would “end the progress of a great country.” And a congressman from New York concluded that, “Never in the history of the world has any measure been brought here so insidiously designed as to prevent business recovery, to enslave workers.”

Over the years, there have been attempts to repeal, undermine, and privatize Social Security. Yet all these attempts have failed because opponents never appreciate the basic facts regarding how much Social Security does for Americans. All told, the Social Security program is currently sending checks to about 53 million Americans – young and old.
For its 37 million elderly beneficiaries, Social Security is a crucial source of income. For nearly two-thirds of elderly Social Security recipients, the program provides the majority of their income. For one-third, it provides 90 percent or more of their income.

Another way of looking at the key role of Social Security is to consider what would happen if it did not exist. In 2008, the elderly poverty rate was 10 percent. Without counting Social Security benefits, the elderly poverty rate would have been 45 percent. By this metric, the program lifted 13 million seniors over the poverty line.

To be sure, seniors’ savings and retirement behavior would undoubtedly have been different without Social Security, but the static results are illustrative of the enormous difference the program makes.

Social Security also has made a particularly substantial difference in the lives of women – who live longer and who are more likely than men to rely on Social Security for a greater part of their income. In 2008, Social Security accounted for half of total income for unmarried women as a whole, including widows – relative to 38 percent for unmarried men and 31 percent for elderly couples.

And let’s not overlook the fact that the program is also an important safety net for younger Americans. The Social Security program currently provides benefits to more than 10 million non-elderly adult beneficiaries and about 3 million children.

Indeed, nearly one out of three Social Security beneficiaries receive either survivors’ benefits or disability benefits, and the Social Security Administration estimates that roughly one out of every three young workers will die or become disabled before reaching retirement age. For the families of such workers, the Social Security survivors or disability benefit is a major source of income. For an average earner who becomes disabled at age 35, for example, the Social Security program replaces nearly 40 percent of income.

I could go on and on citing different statistics or relaying anecdotes about how successful Social Security has been. But we must also recognize that to continue those successes, the program needs to be put on a more stable, long-term financial footing.

In its last projection released just over a year ago, the Social Security trustees projected that the system’s costs would exceed its income (including interest) by 2024 and that the trust fund would be exhausted in 2037. At that point, the Social Security system could pay only about three-quarters of promised benefits.

To close this gap and restore 75-year solvency will, according to the Trustees, requires an adjustment of roughly 0.7 percent of GDP – which amounts to about $100 billion a year. Substantial uncertainty surrounds that shortfall, and indeed the Congressional Budget Office shows somewhat smaller long-term imbalances.
But make no mistake: it is extremely unlikely that we will simply get lucky, and avoid the need to make changes to the program at some point in the future that are needed to keep Social Security secure.

Those who analyze the future of Social Security’s finances often focus on the impact of increased life expectancy, and I’d like to close my remarks by highlighting a relatively under-researched topic that Peter Diamond and I tried to shed light on several years ago.

In particular, the fact that the rise in life expectancy is not uniform is too often overlooked and under-appreciated. Over the past few decades, the gap in life expectancy between those at the top and those at the bottom has substantially widened.

In 1980, life expectancy at birth was 2.8 years higher for the highest socioeconomic group than for the lowest. Twenty years later, that gap was up to 4.5 years. And this increase amounts to more than half of the increase in overall average life expectancy at birth over that same time period.

The gap is also widening at age 65. In 1980, the difference in life expectancy at age 65 between the highest and lowest socioeconomic groups was 0.3 years. By 2000, it was 1.6 years. That increase equals more than 80 percent of the rise in overall average life expectancy at age 65 over those two decades.

Although the effects can be complicated, this growing mortality inequality may be weakening the lifetime progressivity of Social Security, since higher earners are increasingly living longer than average. So why is this happening?

The little research that exists on this topic suggests that diet and exercise behavior, perceived social standing, and norms may be important drivers of both the level and the increase in the life expectancy gap. But it is undoubtedly the case that differences in access to health care play some role.

And that brings me to the Affordable Care Act the President signed into law in March. This historic bill – which was a long time coming -- will substantially expand coverage to health insurance among Americans. And the expanded coverage will disproportionately benefit low- and middle-income Americans, and thereby provide at least some degree of counterforce to the growing difference in health status and life expectancy by education and income.

In addition, as Zeke Emanuel and I have argued in the most recent issue of the New England Journal of Medicine, the Act starts us on the path toward a more efficient health care system.

Much will depend on how well the various measures in the Act are implemented. But in no small part because it at least starts us solidly on the long and potentially difficult road to emphasizing quality rather than quantity in health care, make no mistake that, with effective implementation, we are far better off fiscally with the Act than without it.
Fiscal hawks often bemoan the long-term imbalance in Social Security -- and the program does face a long-term deficit that we must address. But contrary to the rhetoric that often surrounds the two issues, it doesn’t take much in terms of reducing health care cost growth to swamp the effect of Social Security reform.

For example, slowing the rate of health care cost growth by just 15 basis points per year – 0.15 percentage points per year -- would produce budgetary savings equivalent to closing the entire 75-year Social Security shortfall.

So we need to get the implementation right on health care reform. And ultimately, and despite the fact that it is not the most substantial contributor to our long-term fiscal gap, we will also need to restore solvency to Social Security.

Not only will putting Social Security on sound footing help to some degree with our overall budget picture, but making adjustments sooner rather than later both will provide greater certainty to future Social Security beneficiaries and also allow us to make adjustments that are gradual and fair.

Earlier this year, the President said that “Social Security, we can fix.” He was right. We can – and must – fix this vital program. And with the ingenuity and hard work of those in this room today, I have no doubt that, working together, we can do what needs to be done so that the bedrock guarantee of Social Security perseveres, and that Social Security will be just as successful over its next 75 years as it has been in its first 75 years.

Thank you.