Social Security's Role in Economic Performance, Pooling Risks and Social Progress

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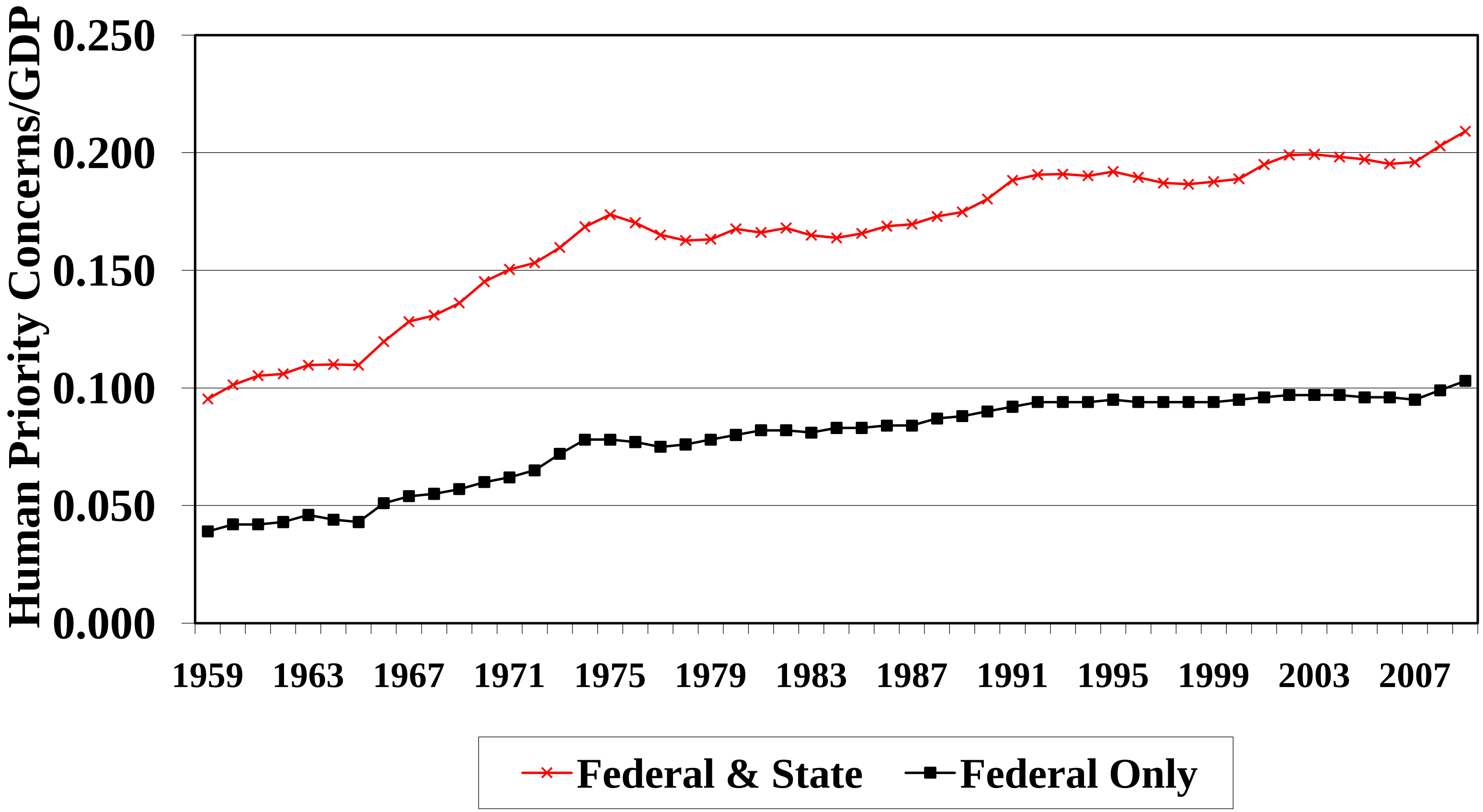
Public investment in people has stalled, coinciding with the growth in income inequality.
(US Human Expenditure Ratios: 1959 to 2009)



Notes: All human priority concerns are defined as government social benefits to persons, social insurance funds, housing and community services, health recreation and culture, elementary and secondary schools, higher education, libraries and other, and income security.

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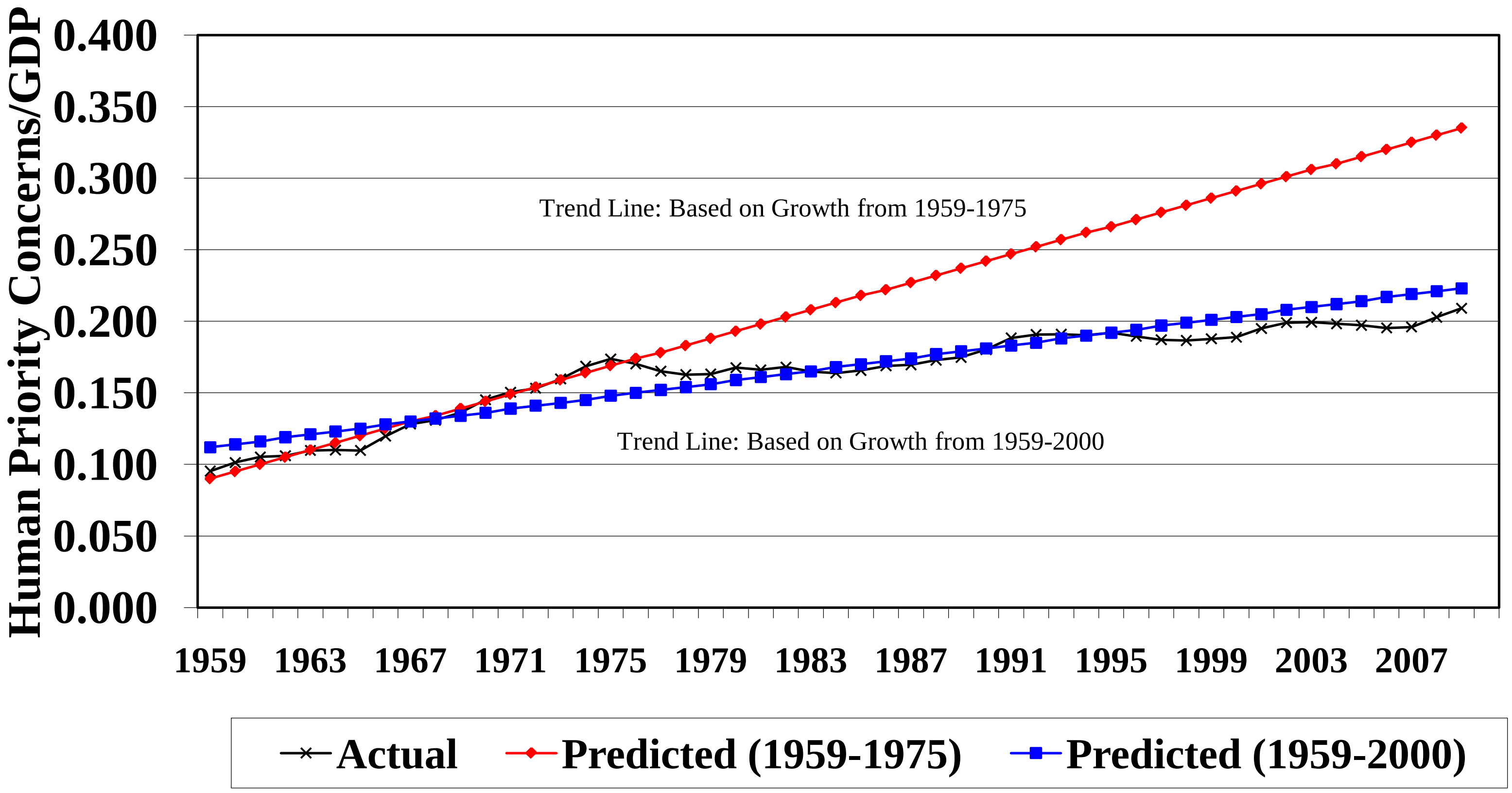
(US Federal and State Human Expenditure Ratios)



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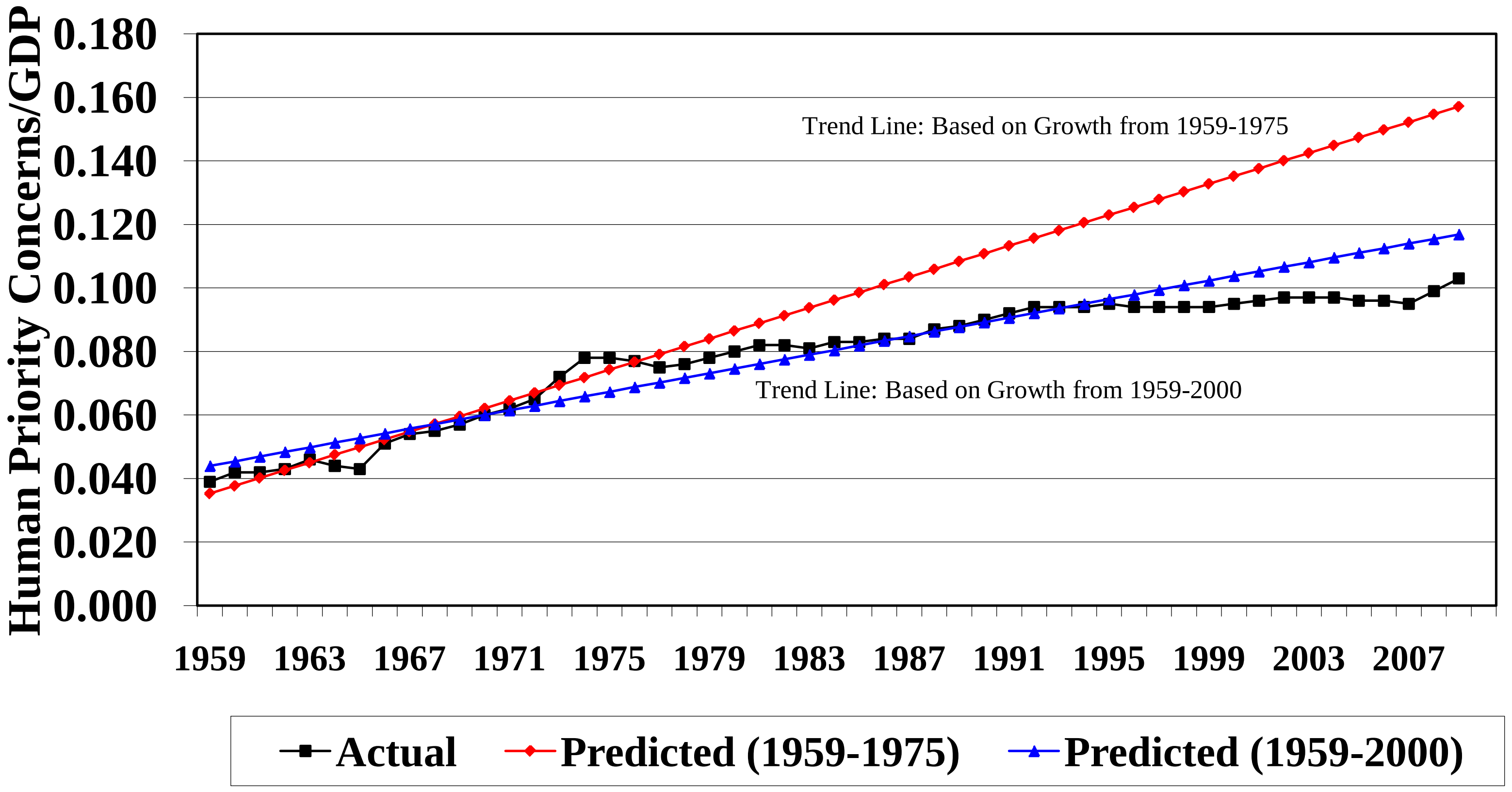

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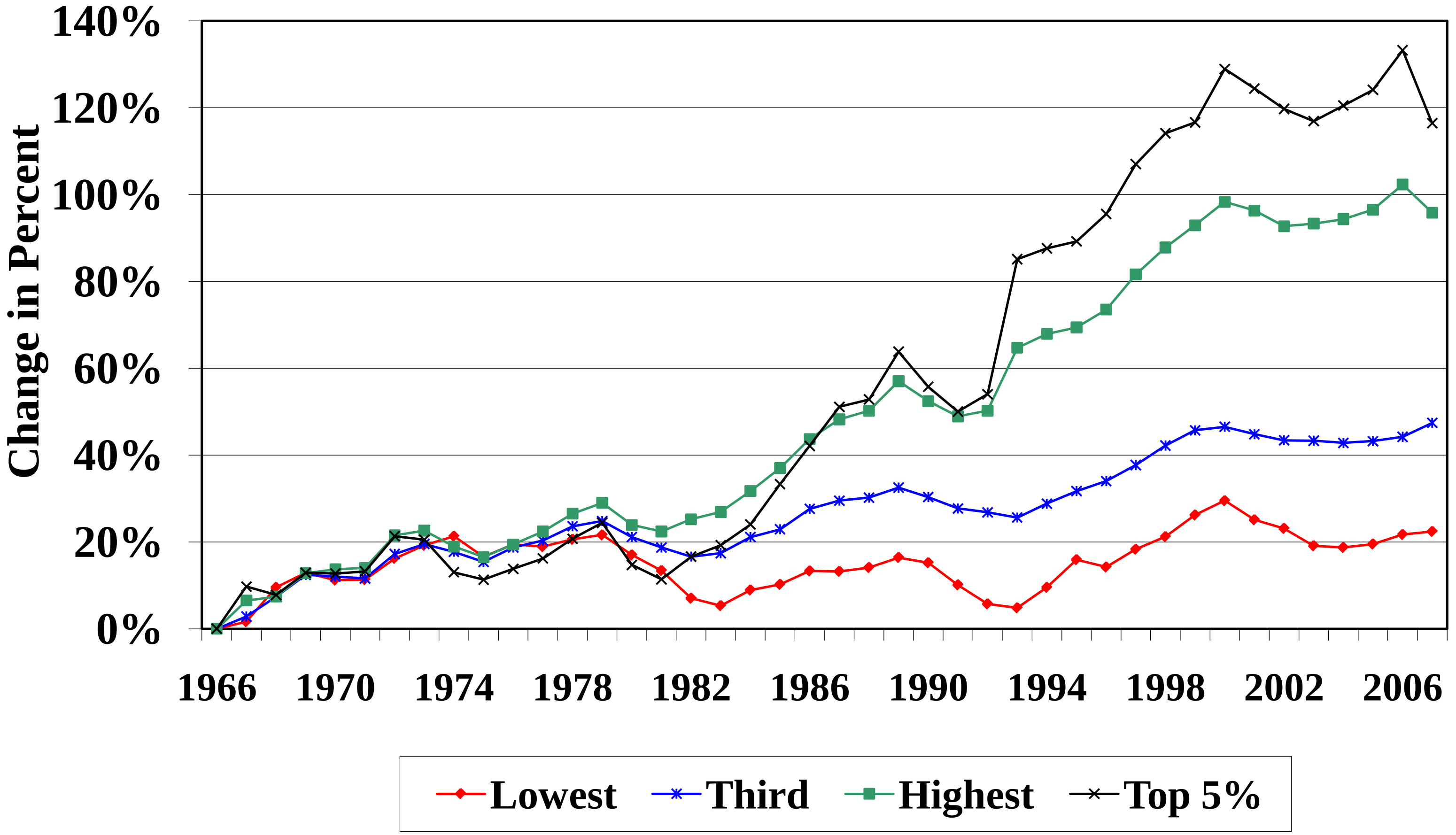
Since the mid-1970s, U.S. family income inequality has widened.

(Cumulate growth in mean income received by each fifth and top 5%)



Source: U.S. Census Bureau..

A New Surge in Inequality

- Why:
  - Tepid growth in Gross National Product will lead to weak job creation
  - State and local governments cutting back services and employment
  - Budget deficit dominating job deficit: Solutions compete with one another
  - Lack of Congressional political will to invest in jobs
  - Systemic risk’s continued adverse impact on low/moderate income families
    - Porous safety nets
    - Age of less over site will continue
    - Economies are more interconnected

How do we minimize a resurgence in inequality?

- Emergency funds:
  - UI and health insurance
  - State and local governments

- Stimulate job creation

- “Stop the bleeding” of the erosion in the government’s oversite of the economy

- Ensure long-term security of Americans and their families. Social Security only needs modifications to further ensure its important role.

In fact, Americans support a range of improvements.

- Lift the Social Security tax cap so that all workers pay the same payroll tax rate (83%).

- Dedicate the estate tax solely to Social Security (70%).

- Add a 5% tax on families earning over $250,000 and individuals earning more than $125,000 (69%).

Source: "Economic Crisis Fuels Support for Social Security: Americans' Views on Social Security," National Academy of Social Insurance, August 2009

Americans favor raising taxes over reducing benefits.

- To protect Social Security's ability to pay out benefits, raising taxes is most popular.
  - Raise taxes on workers (46%).
  - Raise the retirement age (31%).
  - Reduce benefits for workers (11%).
  - Don't know (12%).

Source: "Economic Crisis Fuels Support for Social Security: Americans' Views on Social Security," National Academy of Social Insurance, August 2009

The benefits of investing in Social Security's future outweigh the costs.

- Benefits
  - Reduces poverty
  - Helps achieve self-sufficiency
  - Hedge against uncertainty and systemic risk
  - Last through retirement years
  - Survivor's and disability benefits
  - Program is Healthy: Can pay all future benefits through 2044 with no modifications
  - Maintains social compact
  - Strong Public Support
- Costs
  - Expenditures required to pay benefits and administer the programs
  - These costs have minimal impact on the economy

For the budget deficit hawks, there are other more efficient and effective ways to reduce long-term deficits.

- Financial Transactions/Speculation Tax
- Congress pays for clinical testing of drugs and then allows all new drugs to be sold as generics (CEPR, March 2008).
- Public Insurance Option (CongressDaily, September 25, 2009.

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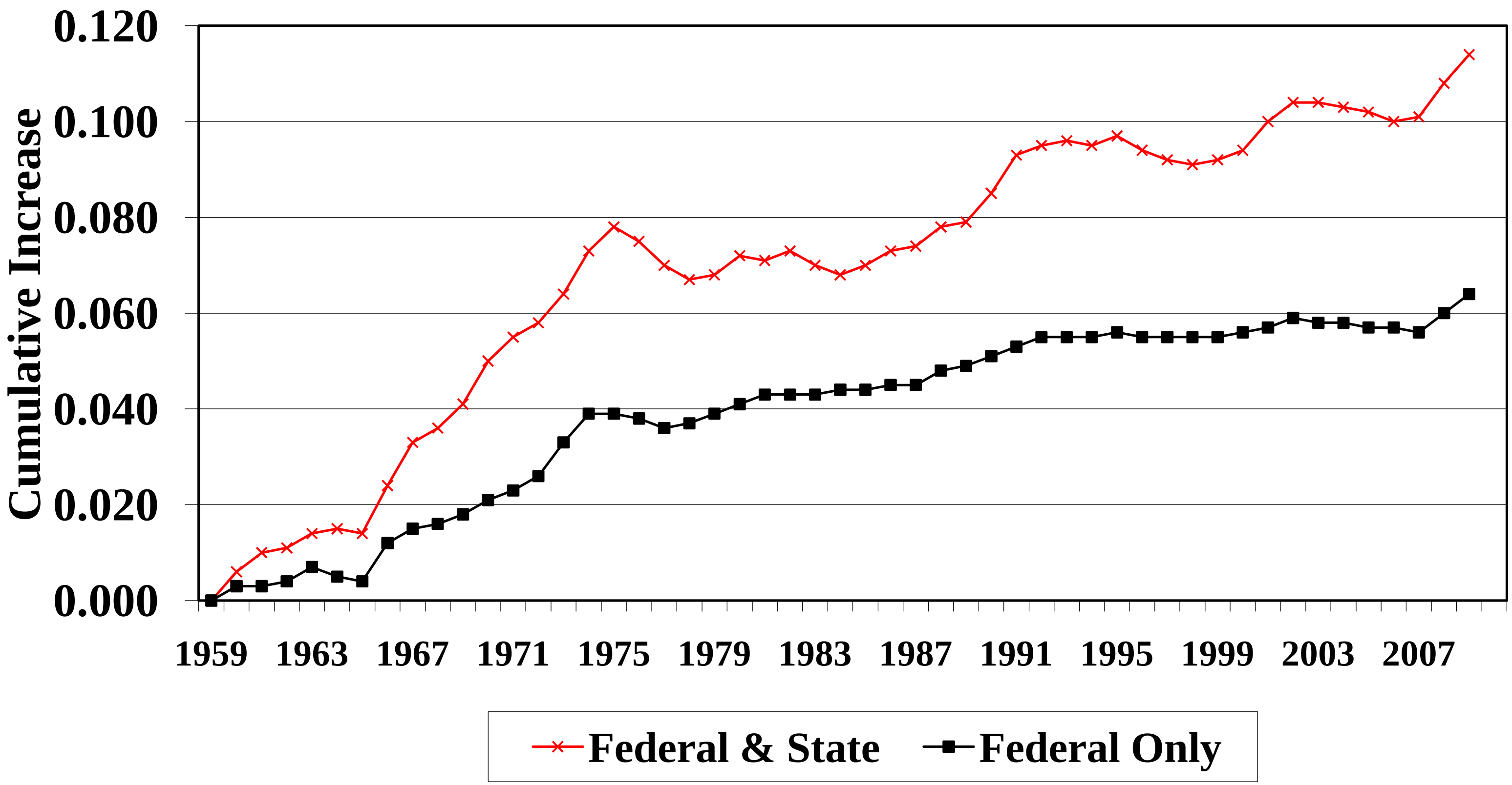

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