BEYOND THE CONSENSUS:
NEW IDEAS FOR BETTER RETIREMENT SECURITY

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Figure 1: Sources of Income for Americans aged 65+, by Income Quintile

Source: U.S. Social Security Administration, Income of the Population 55 or Older, 2010
Government and economic growth, 20 countries, 1979-2007


Source: Lane Kenworthy, U. of Arizona
RISKY BUSINESS

Source: CNN.com, from Ned Davis Research

New America Foundation
At present, people do not have to pay any Social Security payroll taxes on money they earn beyond about $107,000. This amount should be raised [rather than lowered or kept about the same] so that high-income people pay more in payroll taxes.
Workers who are currently under age 55 should be given the option of investing a portion of their Social Security taxes in the stock market and in bonds, while at the same time reducing the guaranteed Social Security benefit they get when they retire.

Source: Bartels et al.
WHAT THE PUBLIC PREFERENCES

Social Security Policy Changes Favored by More Than Seven in Ten Americans:

- Eliminate the cap on earnings taxed for Social Security
- Gradually raise the Social Security payroll tax from 6.2% to 7.2%
- Increase Social Security’s cost-of-living adjustment (COLA)
- Raise Social Security’s minimum benefit above the poverty line

INCREMENTAL REFORM: THE HARKIN PLAN

- USA Retirement Funds: Universal, low cost, guaranteed pension program

- Small improvements to Social Security
  
  *Eliminate cap on payroll taxes*
  
  *Increase Cost-of-Living Adjustment with CPI-E measure of inflation*
  
  *Increase progressivity of benefit levels*
EXPANDED SOCIAL SECURITY

- Maintain original Social Security (OASI) program
- Additional universal flat retirement benefit
- Reduce tax-favored private savings programs
- Funding from general revenues or a new value-added tax
Figure 5: Replacement Rates by Earnings Level, 2035, Current Social Security vs. Proposed Expansion (60% Replacement Rate)
Figure 6: Estimated Total Publicly-Sponsored Retirement as Share of GDP, 2035, Current System vs. Proposal

Source: Authors’ calculations from CBO and SSA projections