

Social Insurance and America's Economic Future

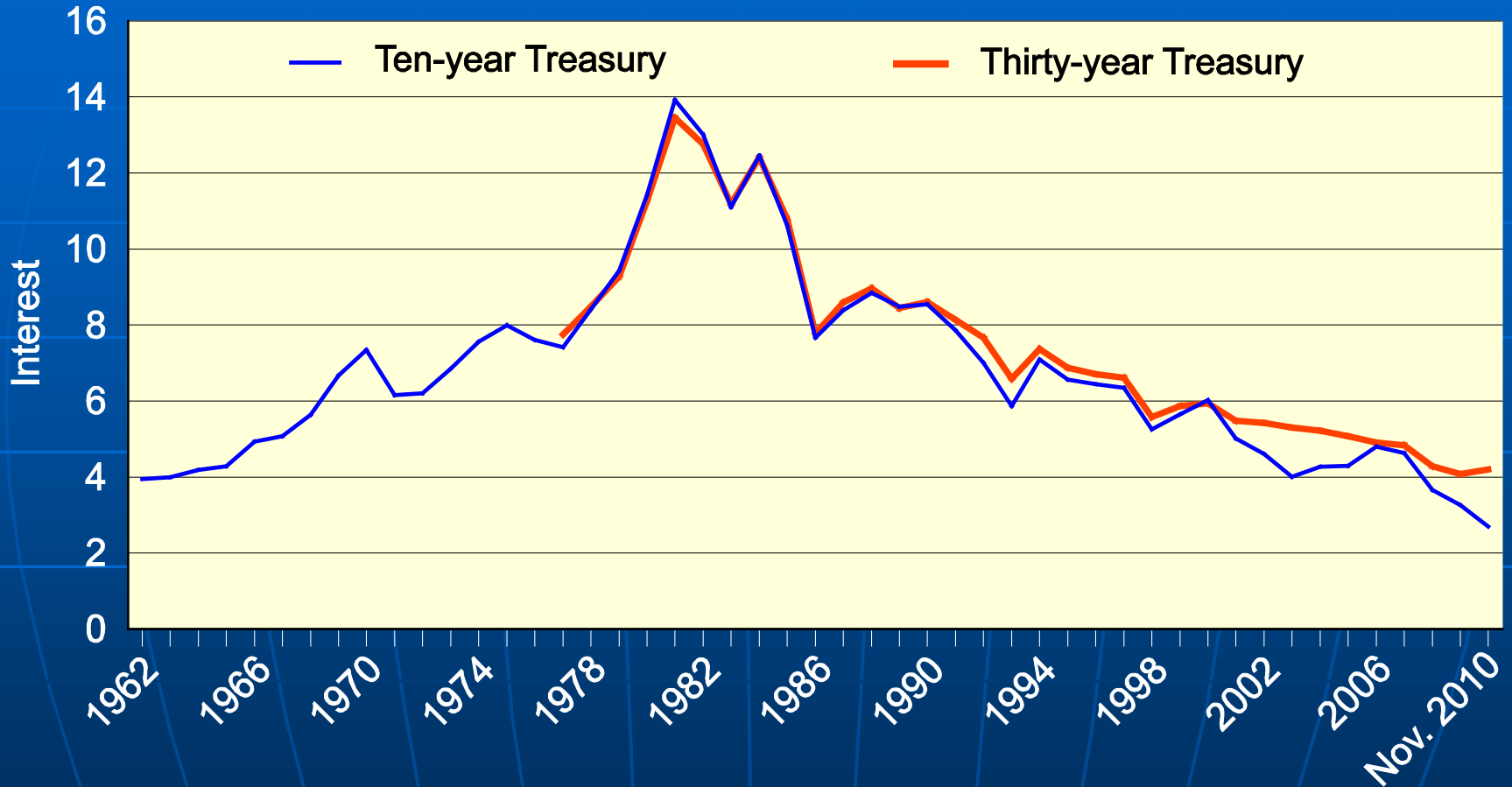
Greg Anrig, The Century Foundation
A Brookings Institution Debate With Isabel Sawhill
November 17, 2010

The Output Gap Under Different Growth Scenarios

Source: Neil Irwin, The Washington Post, October 5, 2010

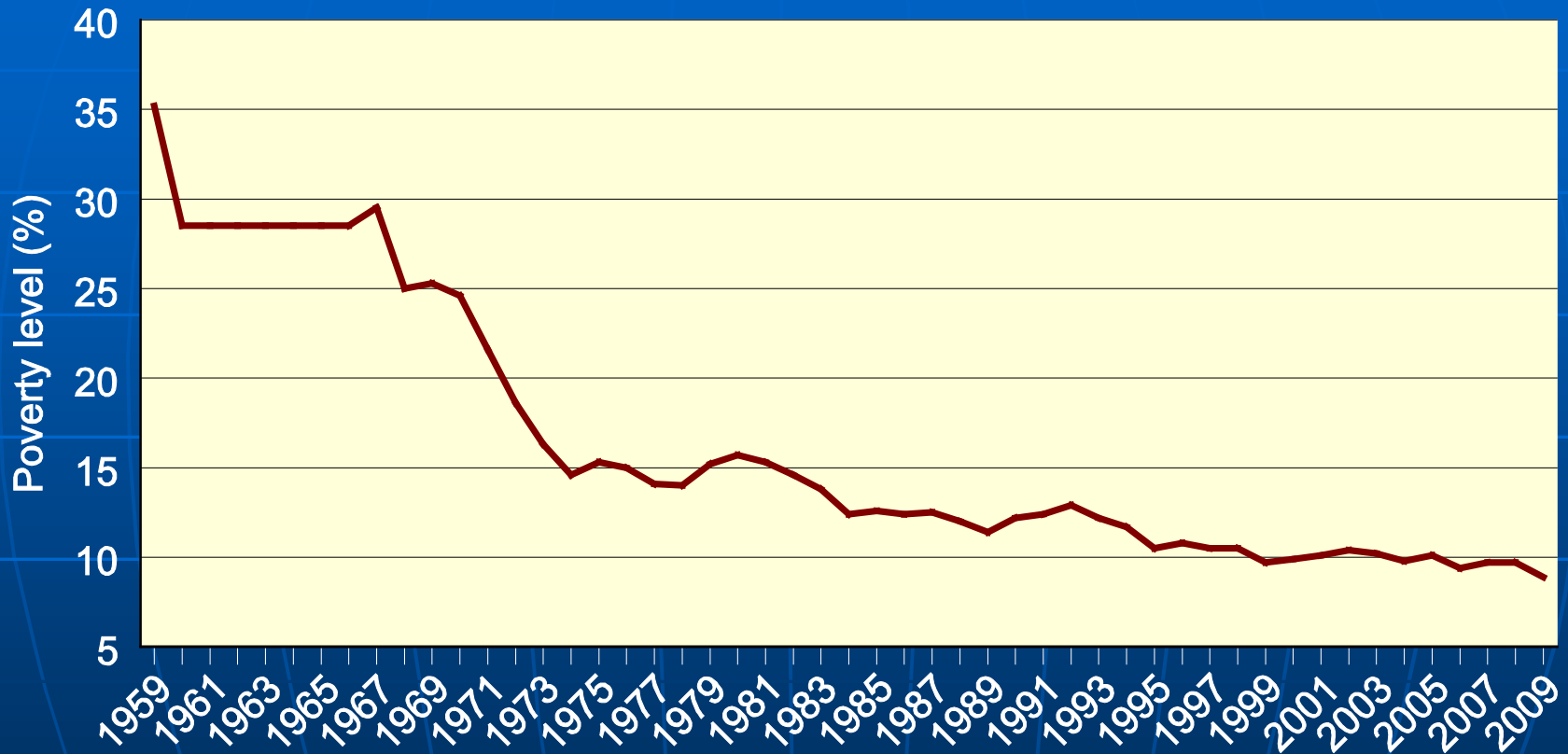
<http://www.washingtonpost.com/wp-srv/business/the-output-gap/index.html>

Federal Borrowing Costs Are at Historic Lows



Source: Federal Reserve Board

Poverty Rates for Americans Aged 65 and Over, 1959-2009



Source: U.S. Census Bureau, Poverty Status by Age, Race, and Hispanic Origin, Table 3
<http://www.census.gov/hhes/www/poverty/data/historical/people.html>

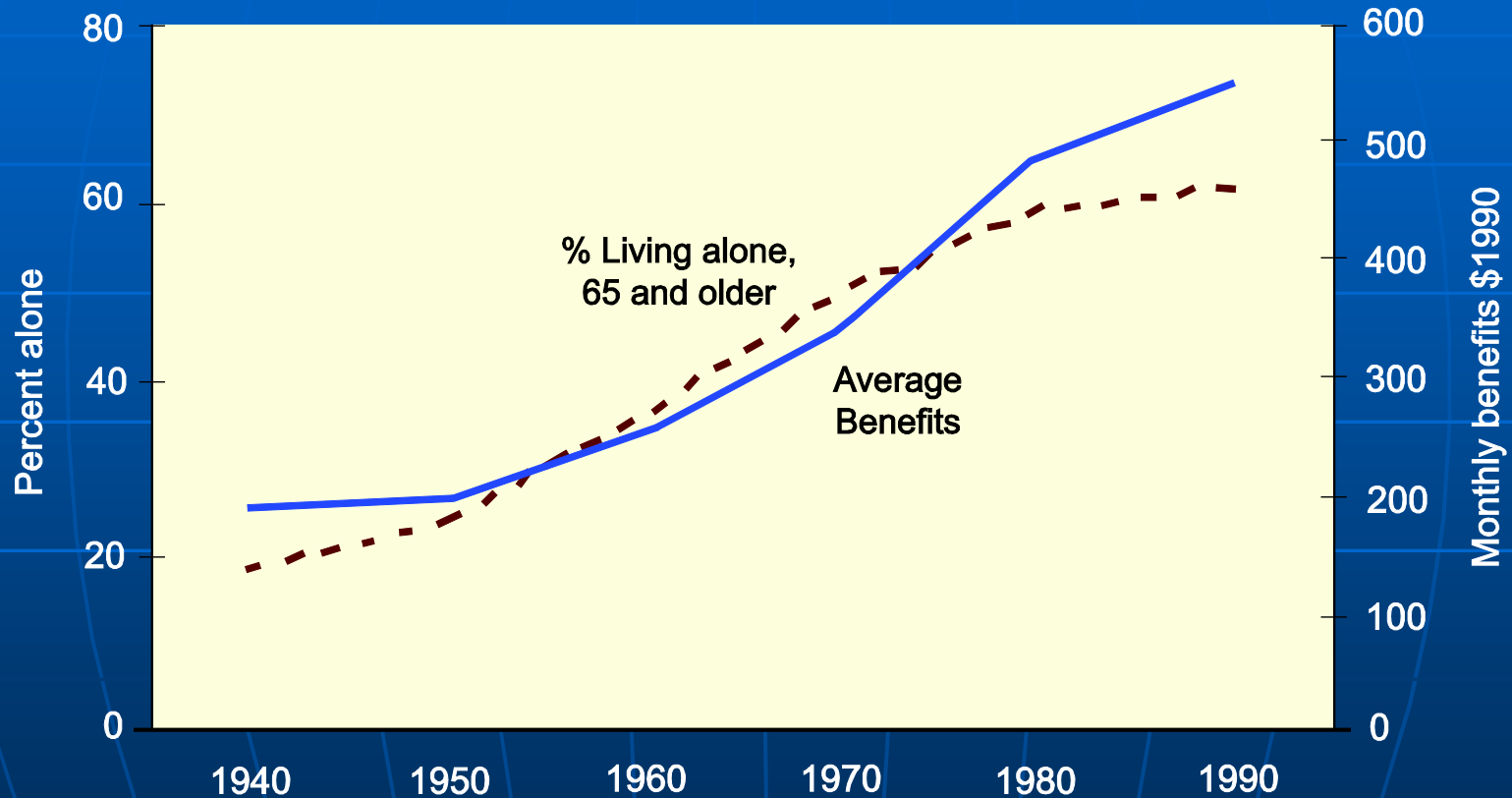
Effect of Social Security on Poverty, 2008

Age Group	% in Poverty Excluding SS	% in Poverty Including SS
Children Under 18	20.5	19.0
Adults Aged 18-64	14.5	11.7
All Elderly Aged 65 and Over	45.2	9.7
Women Aged 65 and Over	49.7	13.2
All Ages	19.8	11.9

Source: Center on Budget and Policy Priorities based on data from the U.S. Census Bureau, Current Population Survey, March 2009
<http://www.cbpp.org/cms/index.cfm?fa=view&id=3260>

Social Security Enabled a Much Larger Share of the Elderly to Live Independently from their Adult Children

Share of Elderly Widows Living Alone and Average Social Security Widows' Benefits, 1940–1990



Kathleen McGarry and Robert F. Schoeni, "Social Security, Economic Growth and The Rise of Independence of Elderly Widows in the 20th Century," RAND, March 1998
<http://www.nber.org/papers/w6511.pdf>

Overall, do you think the benefits from government programs such as Social Security and Medicare are worth the costs of those programs to taxpayers, or are they not worth the costs?

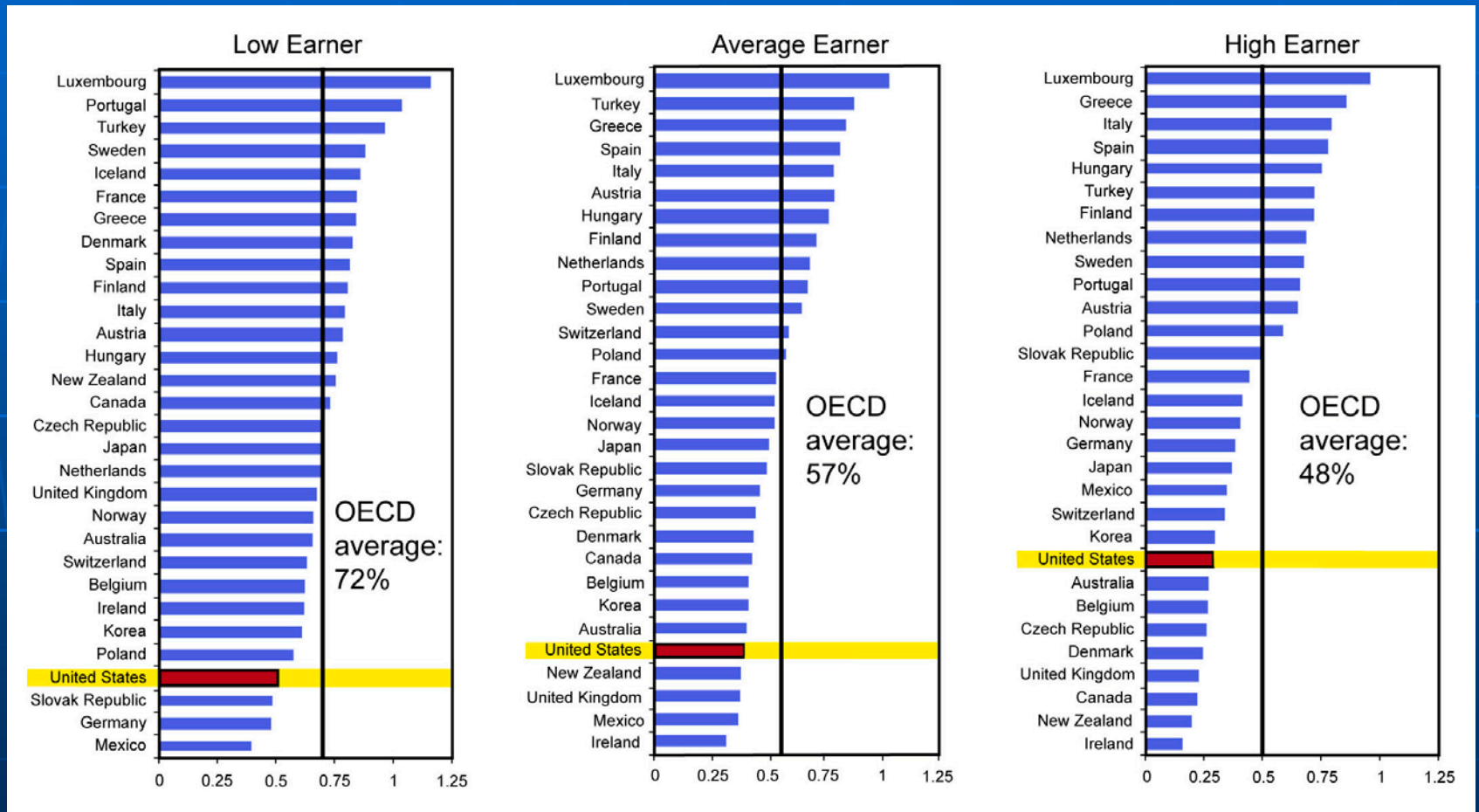
	Worth It	Not Worth It	Don't Know/ No Answer
All Respondents	76%	19%	5%
Tea Party Supporters	62%	33%	6%

Alan Simpson, co-chairman of the National Commission on Fiscal Responsibility and Reform:

"Yes, I've made some plenty smart cracks about people on Social Security who milk it to the last degree. You know 'em too. It's the same with any system in America. We've reached a point now where it's like a milk cow with 310 million tits!"

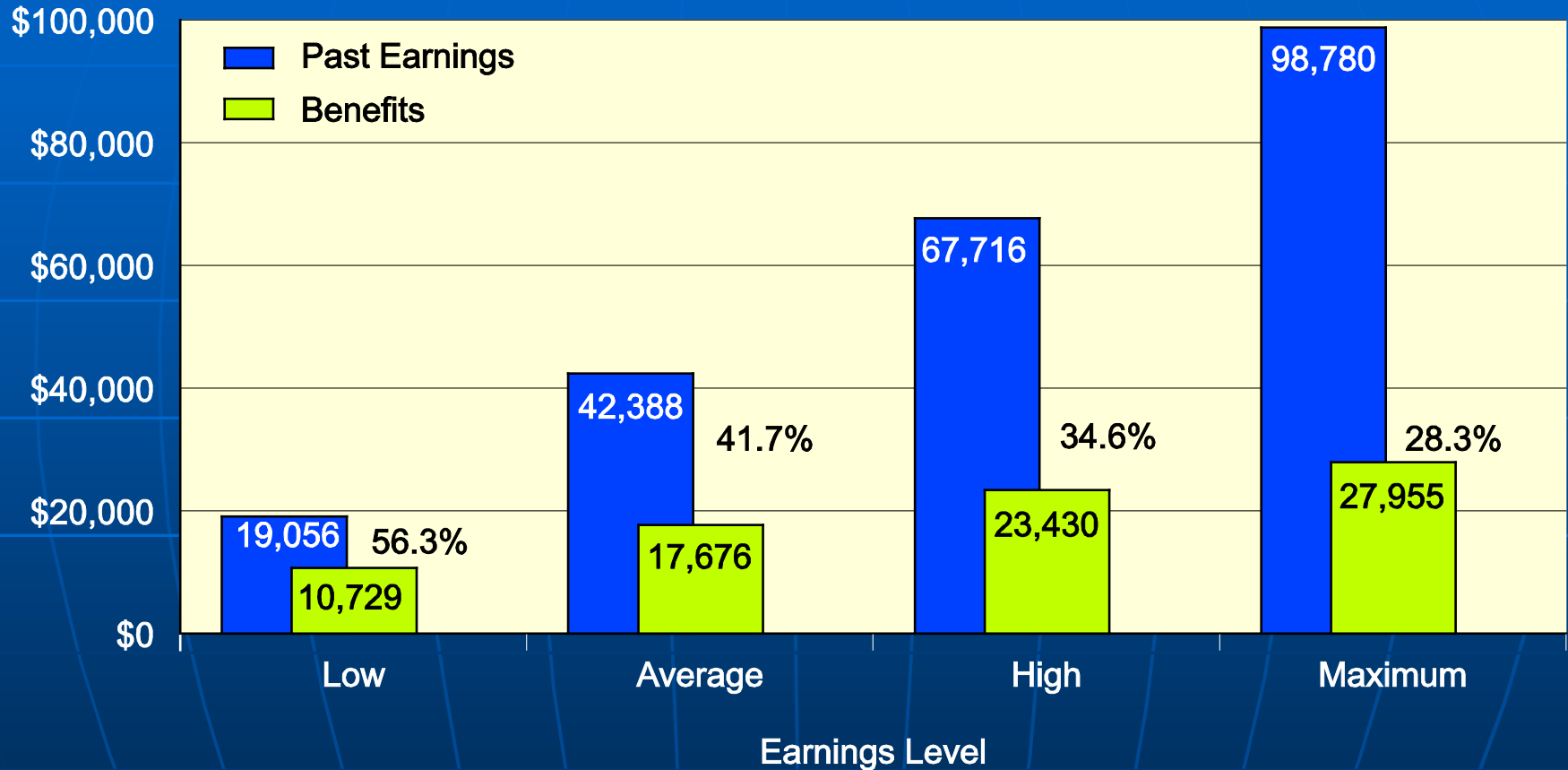
E-mail sent to Older Women's League executive director Ashley Simpson

Social Security Replacement Rates in OECD Countries by Earnings Level



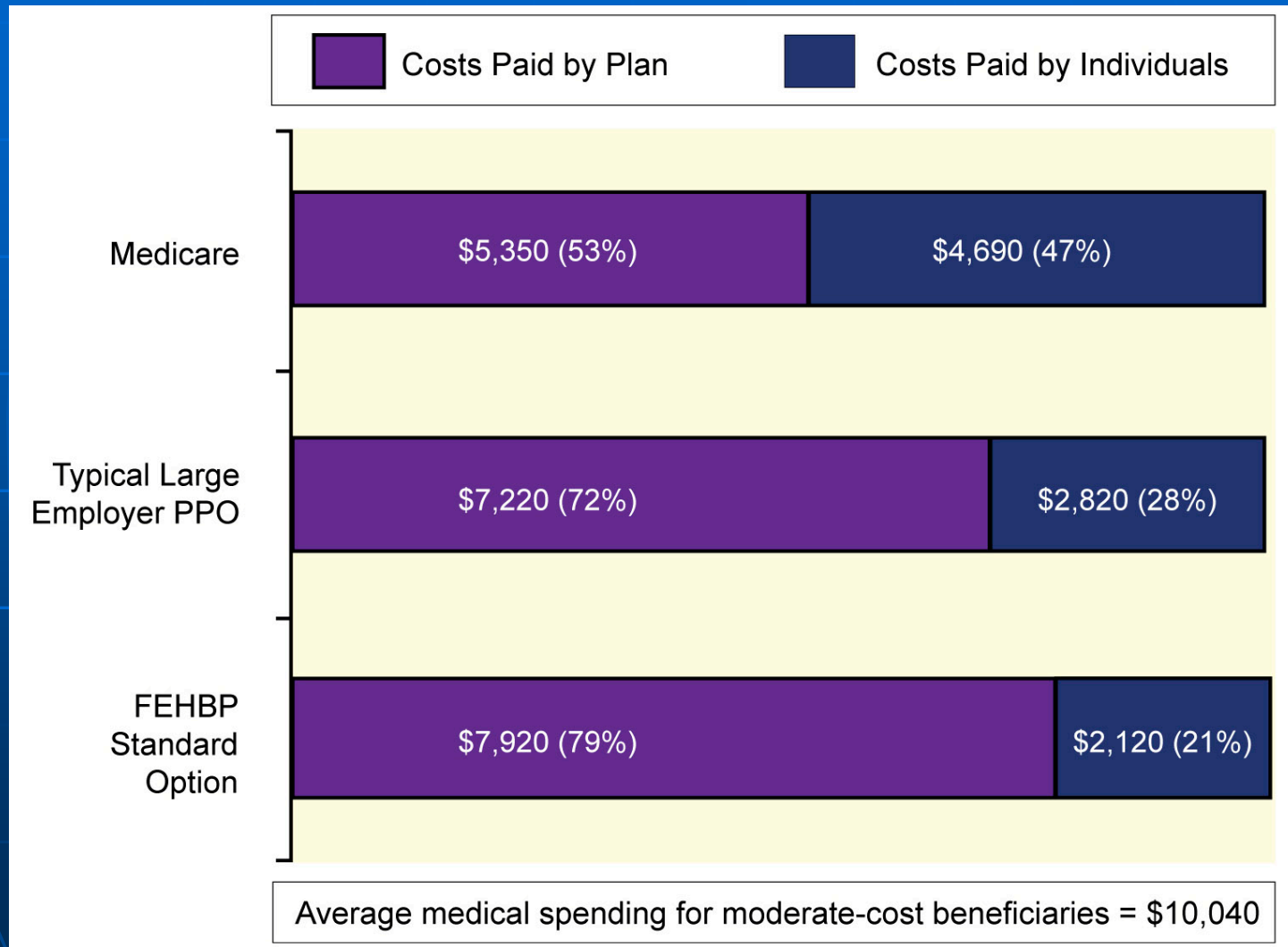
Note: Low earners earn half of the average wage, while high earners earn twice the average wage. Illustrative full career workers draw benefits from each country's mandatory pension program at the retirement age http://www.law.cornell.edu/socsec/course/readings/SS_Brief_025.pdf

Social Security Benefits Compared to Past Earnings, 2010



Source: Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Trust Funds, 2010, Table VI.F10
http://www.ssa.gov/OACT/TR/2010/VI_OASDHI_dollars.html#119381

Out-of-Pocket Costs Are Substantially Higher for Medicare's Moderate-Cost Beneficiaries



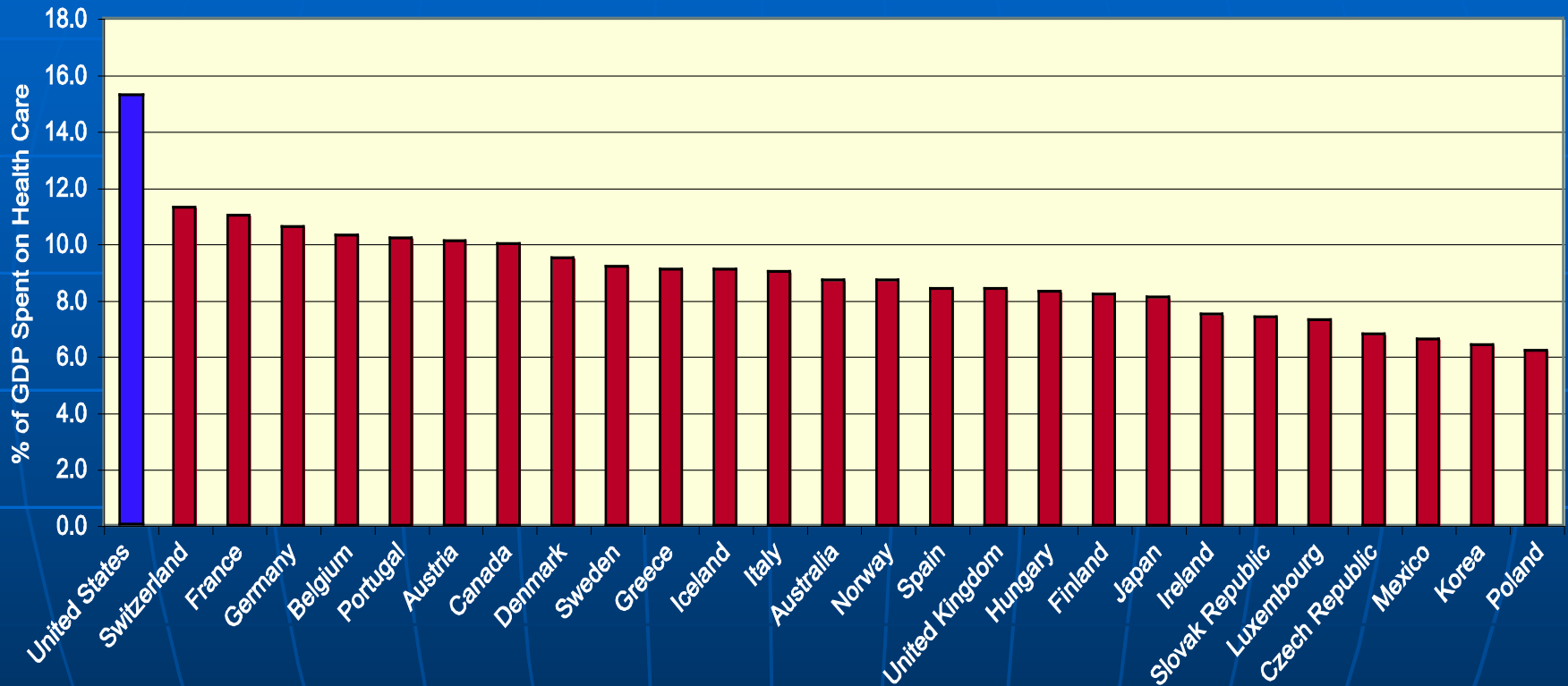
Changes in Median Household Net Worth, By Income Percentile (Thousands of 2007 Dollars)

Income Percentile	November '07	June '09
0-40	20,000	16,000 (-23%)
40-80	139,000	98,000 (-29%)
80-100	599,000	437,000 (-27%)

Source: Kevin B. Moore and Michael Palumbo, "The Finances of American Households... Evidence From the Survey of Consumer Finances," Federal Reserve Board, Dec. 2009
<http://www.federalreserve.gov/pubs/feds/2010/201006/201006pap.pdf>

Actual and Projected Spending as a Percentage of GDP

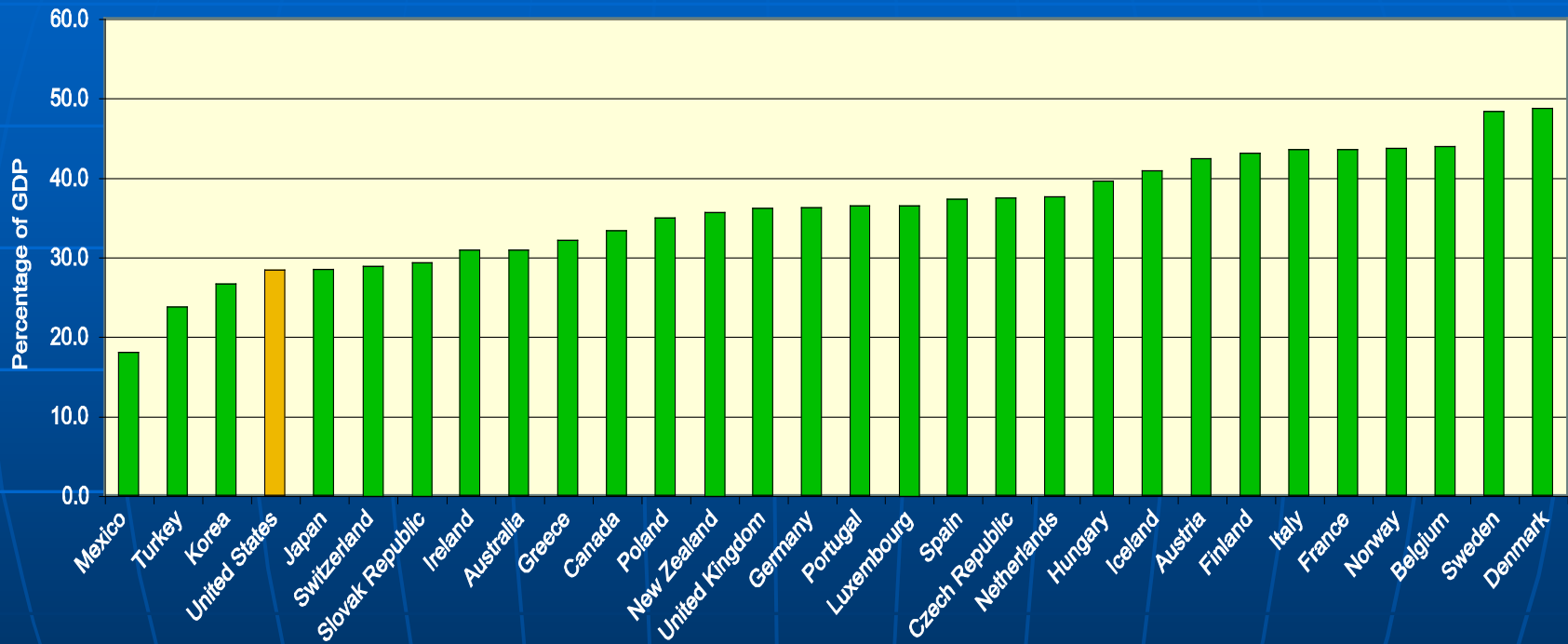
The U.S. Spends Far More on Health Care Than Other Countries



Source: OECD Health Data, 2008

<http://stats.oecd.org/Index.aspx>

Total Tax Revenue as a Percentage of GDP, 2007



Source: OECD

<http://www.oecd.org/dataoecd/48/27/41498733.pdf>

Three Reforms to Strengthen the Medium-Term Budget Outlook

- Cap the benefits of Itemized Deductions at 15% (\$1.2 trillion)
- Implement the Recommendations of the Bipartisan Sustainable Defense Task Force (\$960 billion)
- Tax Capital Gains and Dividends at the Same Rate as Ordinary Income (\$918 billion)