CQ PRESS
CQ RESEARCHER
In-depth reports on today's issues
Published by CQ Press, an Imprint of SAGE Publications, Inc. **www.cqresearcher.com**

Social Security

Is the program running out of money?

Social Security has guaranteed an income for retirees, their survivors and people with disabilities for more than 80 years. But the landmark New Deal program is paying out more in benefits than it collects in payroll taxes, and the problem is forecast to get worse. As millions of Baby Boomers — born between 1946 and 1964 — retire, the increasing demands on Social Security threaten to overwhelm the system. Some experts say the $2.8 trillion Social Security trust fund will run out of money within a generation without major changes. Among the proposals: raise payroll taxes, reduce benefits or shift some Social Security money into the stock market. But others reject major reforms and contend that minor adjustments, such as increasing payroll taxes on wealthier workers, would keep the system solvent. Democratic and Republican presidential hopefuls differ sharply over whether to drastically change the system, tweak it or even expand it to cover more low-income Americans. Regardless of who wins this year's election, the Social Security debate is expected to persist.

Winnifred "Winnie" Murphy celebrates her 105th birthday in Chelsea, Mass., in 2014. Many of the 49 million retirees and their survivors who receive Social Security payments every month are living longer, financially straining the system.

INSIDE

THIS REPORT

CQ Researcher • June 3, 2016 • www.cqresearcher.com
Volume 26, Number 21 • Pages 481-504

SAGE Publishing CQ PRESS
Los Angeles | London | New Delhi
Singapore | Washington DC | Melbourne

RECIPIENT OF SOCIETY OF PROFESSIONAL JOURNALISTS AWARD FOR EXCELLENCE ◆ AMERICAN BAR ASSOCIATION SILVER GAVEL AWARD

THE ISSUES

BACKGROUND

CURRENT SITUATION

OUTLOOK

SIDEBARS AND GRAPHICS

FOR FURTHER RESEARCH

Cover: Getty Images/*The Boston Globe*/Suzanne Kreiter

CQ PRESS CQ RESEARCHER

June 3, 2016
Volume 26, Number 21

EXECUTIVE EDITOR: Thomas J. Billitteri tjb@sagepub.com

ASSISTANT MANAGING EDITORS: Kenneth Fireman, kenneth.fireman@sagepub.com, Kathy Koch, kathy.koch@sagepub.com, Chuck McCutcheon, chuck.mccutcheon@sagepub.com, Scott Rohrer, scott.rohrer@sagepub.com

SENIOR CONTRIBUTING EDITOR: Thomas J. Colin tom.colin@sagepub.com

CONTRIBUTING WRITERS: Brian Beary, Marcia Clemmitt, Sarah Glazer, Kenneth Jost, Reed Karaim, Peter Katel, Barbara Mantel, Tom Price

SENIOR PROJECT EDITOR: Olu B. Davis

ASSISTANT EDITOR: Ethan McLeod

INTERN: Molly McGinnis

FACT CHECKERS: Eva P. Dasher, Michelle Harris, Nancie Majkowski, Robin Palmer

SAGE Publishing CQ PRESS

Los Angeles | London | New Delhi
Singapore | Washington DC | Melbourne

An Imprint of SAGE Publications, Inc.

VICE PRESIDENT AND EDITORIAL DIRECTOR, HIGHER EDUCATION GROUP: Michele Sordi

EXECUTIVE DIRECTOR, ONLINE LIBRARY AND REFERENCE PUBLISHING: Todd Baldwin

CQ Researcher (ISSN 1056-2036) is printed on acid-free paper. Published weekly, except: (March wk. 4) (May wk. 4) (July wks. 1, 2) (Aug. wks. 2, 3) (Nov. wk. 4) and (Dec. wks. 3, 4). Published by SAGE Publications, Inc., 2455 Teller Rd., Thousand Oaks, CA 91320. Annual full-service subscriptions start at $1,131. For pricing, call 1-800-818-7243. To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available. Periodicals postage paid at Thousand Oaks, California, and at additional mailing offices. POSTMASTER: Send address changes to *CQ Researcher*, 2600 Virginia Ave., N.W., Suite 600, Washington, DC 20037.

BY DAVID HOSANSKY

THE ISSUES

Wilma Bogar, 77, doesn't know what she would do without Social Security.

Her house outside Bozeman, Mont., is paid off, but she still has everyday expenses such as food and utilities, as well as trips to Denver to see her daughters. Between a pair of small pensions and her $1,869 monthly payment from Social Security, she is able to enjoy a quiet retirement.

"It's a very big help," she says of Social Security. "Once you pay your insurance and electric bill, [expenses] mount up, that's for sure. Without the Social Security, it would be a tighter pinch."

Bogar is one of more than 60 million Americans, including 49 million retirees and survivors of former recipients, who rely on Social Security payments every month. [1] The popular program, which turned 80 last year, is achieving what its creators intended back in the Depression: provide a modest monthly payment to the nation's seniors so they need not worry about becoming destitute. Social Security also issues cash payments to the permanently disabled and to minor children of deceased workers.

AP Photo/Ted S. Warren

Washington state logger Tom Edwards, who has had trouble finding steady work, worries about his eventual retirement benefits because Social Security payments are based on work history. As millions of Baby Boomers like Edwards retire, the demands on Social Security could overwhelm the system. Some experts recommend raising the retirement age, but manual laborers like Edwards may not be able to spend additional years on the job.

With most companies doing away with pensions and workers still recovering from the 2007-09 recession that devastated retirement savings, some experts say Social Security is more important than ever.

"Social Security is really the backbone of our retirement system," says Alicia Munnell, director of the Center for Retirement Research at Boston College. "It's shielded from market changes, it's shielded from inflation, and it comes out as an annuity. It's the major source of retirement income in our country, and it works."

But policy experts warn that the venerable system is in trouble, mostly due to demographics: An aging population means fewer workers are paying into the system and more retirees demanding benefits. At the same time increased life expectancy means the average retiree receives a monthly check for years longer than when the program was established. The Social Security trust fund currently has a $2.8 trillion balance — or surplus — which comes from payroll taxes and interest on the surplus. Earmarked for paying current and future retirees, the fund will run out of money within a generation, imperiling full retirement benefits for tens of millions of Americans, without congressional action. [2]

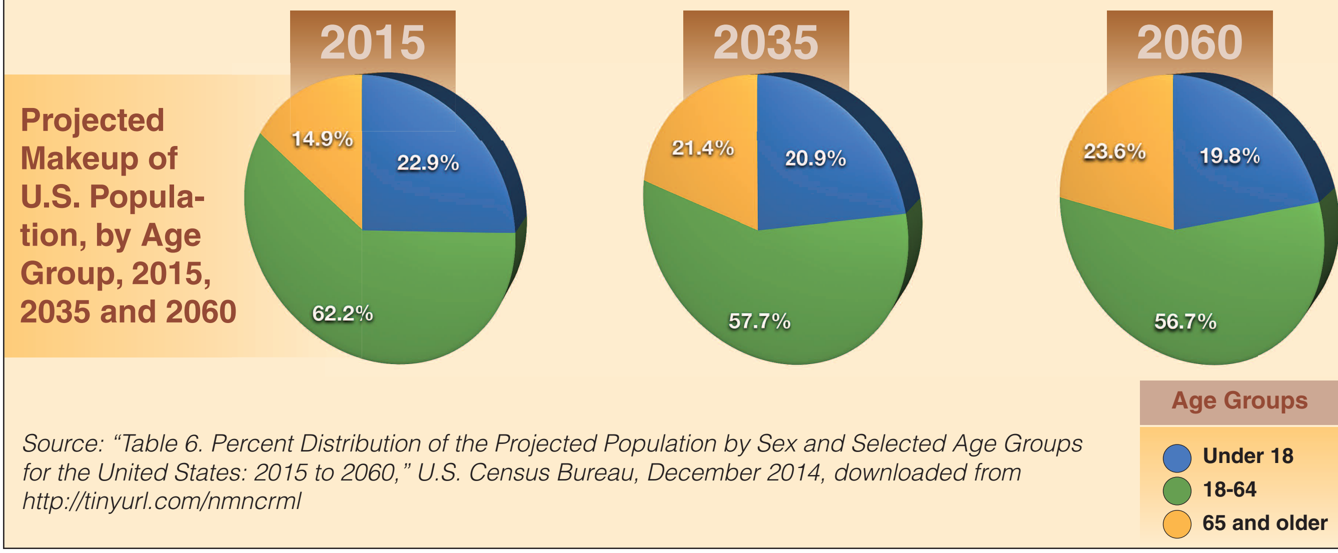
"Unless we deal with this crisis, the young people of this country will get poorer, the disparity between young and old, the working middle class and the retired will grow even larger," New Jersey Gov. Chris Christie, who briefly ran for the 2016 Republican presidential nomination, said last year. [3]

The so-called silver tsunami — the huge wave of aging post-World War II Baby Boomers born between 1946 and 1964 that began retiring in 2012 — is straining the system, a stress that will only grow. By 2035, the number of Americans over age 65 will jump from today's 48 million to 79 million. [4] In addition, today's seniors can expect to live, for almost 21 years, on average, after retiring, compared with 14 years in 1940, when Social Security began making regular monthly payments. [5]

Such demographic trends can be devastating to Social Security, a pay-as-you-go system funded by a 12.4 percent payroll tax, half paid by workers and

Aging Population Challenges Social Security

Over the next 45 years, the proportion of Americans age 65 or older eligible for Social Security benefits will grow from about one in seven today to almost one in four. Meanwhile, the working-age share of the population able to pay into the system — those ages 18 to 64 — is projected to shrink, further straining Social Security's finances.



Source: "Table 6. Percent Distribution of the Projected Population by Sex and Selected Age Groups for the United States: 2015 to 2060," U.S. Census Bureau, December 2014, downloaded from http://tinyurl.com/nmncrml

half by employers. [6] * As the nation's population ages, the number of retirees collecting Social Security benefits is rising far more quickly than the number of workers paying taxes to support the system. In 1950, 16 workers paid into the system for every retiree collecting benefits. [7] In the last few years, that ratio is down to 2.8 workers per retiree — and shrinking. [8]

In 2010, the Social Security trust fund for the first time began paying out more than it raised in taxes, drawing down the trust fund surplus to cover the shortfall. At the current rate, the surplus will be depleted in 2034, and Social Security will be able to make just 79 percent of its payments, funded by payroll tax revenues. [9]

Policy experts say it is critical for lawmakers to put the program on sounder fiscal footing as soon as possible. But Congress appears hopelessly split between those who would save money by cutting benefits and those who want to raise taxes to shore up the program. Furthermore, Washington these days has little appetite to change the popular entitlement, known as the "third rail" of politics because any major change likely would provoke furious resistance.

"It's part of the fabric of the country," says Max Richtman, president and CEO of the National Committee to Preserve Social Security and Medicare. "There's a disconnect somewhere between the sentiment of the people on Social Security and members of Congress who want to cut it."

Indeed, polls consistently show broad public support among Republicans and Democrats alike for the program. A 2014 survey by the nonpartisan National Academy of Social Insurance, for example, found that 85 percent of Americans believe that Social Security is more important than ever to ensure that retirees have a dependable income. Most respondents said they were willing to pay higher taxes to keep the system strong. [10]

The Social Security Administration (SSA) also provides benefits to 11 million disabled workers and their dependents through a pair of disability programs called Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), which are facing even greater fiscal pressure. [11] In 2015, when the disability trust fund was down had only about a year's worth of cash, Congress took money from the Social Security retirement trust fund to cover the shortfall. But the disability programs are still expected to run out of money early in the next decade. [12] (*See sidebar, p. 492.*)

The two programs combined will have spent about $877 billion in 2015, representing about 24 percent of the total federal budget. [13]

On the presidential trail this year, the candidates have proposed various solutions for fixing Social Security: increasing benefits, raising the retirement age, increasing Social Security taxes on wealthier Americans and privatizing the program. Some have even proposed raising payroll taxes enough to increase benefits for lower income retirees. But

* The self-employed pay the full 12.4 percent.

they generally have not emphasized the type of all-encompassing approach policy experts say is needed to ensure the long-term fiscal health of the system. (*See p. 496.*)

"We have more money going out than we have" coming in, says Munnell. "There is no silver bullet. We need to close that gap. When the political craziness calms down, I hope they do the same thing as last time — name a commission and then Congress takes its recommendations."

Munell was referring to the National Commission on Social Security Reform, which in 1983 issued recommendations later adopted by Congress that put the retirement program on a stronger fiscal footing.

While liberals generally want to retain the Social Security program or even increase benefits, the conservatives worry that it is inordinately expensive.

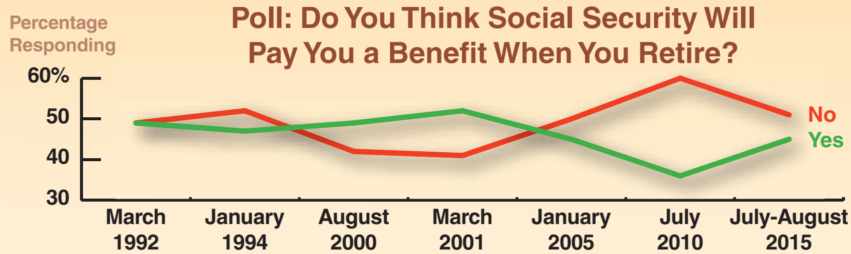
"Social Security is a major contributor to our current debt problem," says Romina Boccia, deputy director of the Roe Institute for Economic Policy Studies at the conservative Heritage Foundation in Washington. "It's the largest federal program. Twenty-five cents of every dollar the federal government spends is on Social Security — and it is growing."

If the federal budget is ever to be reined in, conservatives say, government must make changes to Social Security and Medicare, the other major federal entitlement program, which provides federal health insurance for senior citizens. Together, Social Security and Medicare represent about 40 percent of the federal budget.

One of the most outspoken critics of Social Security finances is Laurence Kotlikoff, an economics professor at Boston University who has written widely about Social Security benefits. He worries the program is taking money from young workers with no guarantee that it will provide retirement income for them and future generations.

Many Skeptical of Receiving Benefits

About half of nonretired Americans said in 2015 they did not expect to receive Social Security benefits when they stop working, down from 60 percent in 2010, when skepticism about the program's long-term viability peaked, particularly among younger Americans.



Source: Frank Newport, "Many Americans Doubt They Will Get Social Security Benefits," Gallup, Aug. 13, 2015, http://tinyurl.com/jc2xb6h; full results downloaded from link at bottom of page

"The system is broken. It's a Ponzi scheme," says Kotlikoff, who would prefer a system in which workers invest in the stock market. "The sooner we move away from it, the better off our kids will be."

As concern about Social Security grows, here are some questions policy makers and everyday Americans are asking:

Is the Social Security system running out of money?

Ask younger Americans if they ever expect to receive Social Security benefits and most are skeptical. In fact, a recent Gallup Poll found that nearly two-thirds of those 29 and younger answered "no" when asked whether Social Security would "be able to pay you a benefit when you retire?" [14]

Demographic changes are costing Social Security billions of dollars every month, leading political leaders to raise alarms about both Social Security and its impact on the federal budget.

"But anyone who tells you that Social Security can stay the way it is is lying," Sen. Marco Rubio, R-Fla., said during a presidential campaign debate earlier this year when he was a candidate. "Social Security will go bankrupt, and it will bankrupt the country with it," he said. "So what it will require is people younger, like myself, people that are 30 years away from retirement, to accept that our Social Security is going to work differently than it did for my parents." [15]

Many experts, however, emphatically reject such dire predictions.

"Absolutely not," says Richtman of the National Committee to Preserve Social Security and Medicare. "The terms that are thrown around — crisis, bankrupt, there's no money there — that's part of the mythology that's being pushed by people who don't care for the program or want to see people take care of themselves. This program is sound. Everybody will get every penny of their benefits."

Both sides agree on the basic contours of the fiscal situation. The Social Security trust fund last year paid out about $84 billion more in benefits than it raised in taxes, and that loss rate is expected to grow as the Baby Boomers continue to retire. By about 2034, the trust fund balance will decline to zero, at which point the payroll taxes collected on workers every month will be enough to pay only 79 percent of benefits to retirees. The exact date that the trust fund will be depleted depends on such factors as economic growth and the

Fraud and Waste Sap Social Security Funds

"Every dollar misallocated is a dollar lost for those who truly need it."

The Social Security system pays out hundreds of billions of dollars each year in retirement and disability payments, and some of that money is winding up in the hands of crooks and fraudsters.

Examples abound:

• Millions of Social Security numbers belonging to deceased Americans born more than a century ago remain available for people wanting to fraudulently collect monthly payments.

• Criminals are using fraudulent medical documents to obtain Social Security disability benefits.

• Children are collecting benefits by using Social Security numbers of their deceased parents.

Underscoring the scope of the problem, a report last year by the Social Security Administration's Office of the Inspector General identified about 6.5 million Social Security number holders aged 112 or older — even though just 35 people worldwide were that old. In one case, an individual had recently opened bank accounts by using Social Security numbers for individuals born in 1886 and 1893. [1]

"It is incredible that the Social Security Administration in 2015 does not have the technical sophistication to ensure that people they know to be deceased are actually noted as dead," said Sen. Ron Johnson, R-Wis., who chairs the Senate committee that oversees the Social Security Administration. "This problem has serious consequences." [2]

The report urged the agency to better manage data for "number holders who exceeded maximum reasonable life expectancies and were likely deceased." [3]

Politicians have raised concerns about the extent to which false or stolen Social Security numbers may be costing the government or putting Americans at risk of identity theft.

"Not only do these types of avoidable errors waste millions of taxpayers' dollars annually and expose our citizens to identify theft, but they also undermine confidence in our government," said Sen. Tom Carper, D-Del. [4]

Businessman Donald Trump, the presumptive GOP presidential nominee, has gone so far as to suggest that Social Security's fiscal problems could be largely solved if it cut down on waste, fraud and abuse. [5] But fiscal experts say the notion that reducing those problems would significantly change the finances of the Social Security program is illusory.

"It's absurd to pretend you can fix it by ending fraud," says Maya MacGuineas, president of Committee for a Responsible Federal Budget, a bipartisan think tank in Washington. "You can get rid of every penny of fraud, waste and abuse and would still have the same problems," she adds.

Social Security's disability system is viewed as more vulnerable to fraud than its retirement system because the determination of whether someone qualifies for disability depends on complex factors such as medical records. Earlier this year, a grand jury in Kentucky indicted three people, including a former judge and a disability lawyer, on charges that they defrauded the government of $600 million in disability benefits by submitting false medical documentation. [6]

A report last year by the Social Security inspector general concluded that the Social Security Administration had made

life expectancy of retirees, according to the Social Security trustees. [16]

Moreover, those trustees, who have been required since the early days of the program to issue an annual projection of the trust fund's solvency over the next 75 years, estimate that the fund will face a deficit of $10.7 trillion in current dollars over the next three-quarters of a century. [17]

But that may be a relatively optimistic scenario. The Congressional Budget Office says the trust fund most likely will run out of money in 2029. [18] Or it could be depleted years earlier, warns a team of political scientists and demographers at Harvard University and Dartmouth College, partly because the trustees may not be fully taking into account longer life expectancies and other factors that could drain the fund earlier than estimated. [19]

Whatever the exact date, many fiscal experts say the system as currently configured is headed toward insolvency. "It's facing a pending crisis. We cannot pay the promised benefits with the revenues we have," says Michael Tanner, a senior fellow at the libertarian Cato Institute. "It's only going to get deeper and deeper in the red."

But other experts, especially those on the left, say Social Security is generally sound and needs only minor adjustments, such as increasing payroll taxes on wealthier workers.

"No other program has to be perpetually fully funded 75 years into the future that way," says Monique Morrissey, an economist at the Economic Policy Institute, which focuses on the needs of low- and middle-income workers. "To always be in balance over 75 years is very difficult to do, and it doesn't mean the program is a bust if it doesn't attain it."

Morrissey and other Social Security experts also point out that, even in the unlikely event that Congress were to allow the trust fund balance to dwindle to nothing, companies and employees would continue to fund it every month through payroll taxes. Under that scenario, retirees would get about 79 percent of their full benefits, according to estimates by the Social Security trustees. [20]

$16.8 billion in disability overpayments over the past 10 years ending in 2014. Much of the money went to people who were no longer disabled or were earning too much to be eligible for the program. Some also went to people in prison or who had died. [7] The agency was able to recover $8.1 billion, although it took several years. [8]

Amid growing concerns about Social Security's finances, Congress last year approved stiffer criminal and civil penalties and fines for Social Security fraud. The new law imposed penalties of up to 10 years in prison for individuals in trusted positions, such as doctors or former Social Security Administration employees, and also created a new felony classification, punishable by up to five years in prison and up to $250,000 in fines, for conspiracy to commit Social Security fraud. [9]

But a study this year by the Government Accountability Office warned that the Social Security Administration is failing to focus on cases that could generate more savings. "As a result, it may be missing opportunities to efficiently and effectively use federal resources," the report concluded. [10]

Despite the large overpayments and other issues, Social Security Administration officials maintained that the system has a high degree of accuracy for both retirement and disability payments. "For fiscal year 2013 — the last year for which we have complete data — approximately 99.8 percent of all Social Security payments were free of overpayment, and nearly 99.9 percent were free of underpayment," said Social Security spokesman Mark Hinkle. [11]

But critics said errors are making Social Security's fiscal condition more precarious.

"Every dollar misallocated is a dollar lost for those who truly need it most," said Senate Finance Committee Chairman Orrin Hatch, R-Utah. [12]

— David Hosansky

---

[1] "Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident," Office of the Inspector General, Social Security Administration, March 4, 2015, http://tinyurl.com/j6z9e2v.

[2] Josh Hicks, "Millions over 112 have Social Security numbers, and it's not because we're living longer," *The Washington Post*, March 10, 2015, http://tinyurl.com/zwl5f44.

[3] "Numberholders," *op. cit.*

[4] Hicks, *op. cit.*

[5] Michael Tanner, "Trump on 'Waste, Fraud, and Abuse,' " *National Review*, Feb. 17, 2016, http://tinyurl.com/h8ggnu7.

[6] "Retired Judge, Attorney, and Psychologist Indicted in $600 Million Social Security Disability Fraud Scheme," Office of the Inspector General, Social Security Administration, April 5, 2016, http://tinyurl.com/jhz4dsx.

[7] "Overpayments in the Social Security Administration's Disability Programs — A 10-Year Study," June 2015, Office of the Inspector General, Social Security Administration, http://tinyurl.com/jalxet6.

[8] *Ibid.*

[9] Eric Pianin, "Why Social Security's Crackdown on Disability Fraud Is Coming up Short," *The Fiscal Times*, March 14, 2016, http://tinyurl.com/h8pc4je.

[10] "Social Security Disability: SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review," U.S. Government Accountability Office, Feb. 11, 2016, http://tinyurl.com/jy5tzbg.

[11] Stephen Ohlemacher, "Report: Social Security Overpaid Disability Benefits by $17 Billion," *Business Insider*, June 5, 2015, http://tinyurl.com/zswbwmk.

[12] *Ibid.*

"Absent a complete and total collapse of the U.S. economy so that no one anywhere is working, Social Security will always have a revenue source of some sort in the future," says Kurt Czarnowski, a former Social Security regional communications director who now works as a consultant advising workers about Social Security benefits. "The question is: Will that revenue source cover 100 percent of the promised benefits?

"With some reasonable changes to close that 21 percent gap — increases on the income side, slowdown on the benefits side — it can remain that solid program that Americans have counted on for 80-plus years," says Czarnowski.

Should Congress cut Social Security benefits to ensure the program's long-term sustainability?

Warren Adamsbaum has never forgotten the day he received his first Social Security check: He had just turned 65 and was eligible for full benefits.

"When I first got it, I remember thinking this is the greatest thing in the world," says the former public relations and advertising vice president for Weight Watchers, who is now 91 and living in Boca Raton, Fla.

But the era of Americans receiving full Social Security benefits at age 65 is gone. Those wanting full benefits now must wait until they're at least 66 or, if born in 1960 or later, 67.

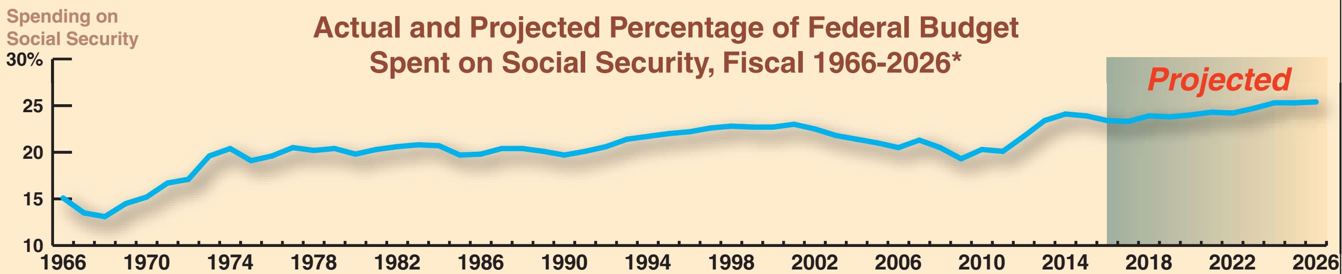
With Americans living longer and Social Security beginning to run out of money, experts wonder whether it is time to raise the full retirement age even further for younger and middle-aged workers. Boccia of the Heritage Foundation, for example, would like to see the retirement age raised gradually to 70 over the next couple of decades.

"You have people living increasingly longer in retirement, which requires increasing taxes to pay for them" unless the retirement age is pushed back, she says.

But advocates for retirees fiercely oppose any increase in the retirement age or cut in benefits. They prefer to balance the trust fund and maintain current benefits — or even increase

Social Security Consumes Growing Share of Budget

The share of the federal budget spent on Social Security has grown from 15 percent in 1966 to about 24 percent today. It is projected to edge up to 25 percent in 2024. Medicare, the federal health insurance program for senior citizens, adds another 17 percent to the federal budget.



* Share of budget projected for 2016-2026

Source: "Historical Budget Data," Congressional Budget Office, March 2016, downloaded from http://tinyurl.com/h6rgsgl; "10-Year Budget Projections," Congressional Budget Office, March 2016, downloaded from http://tinyurl.com/h6rgsgl

them — by raising payroll taxes, especially on wealthier Americans, by raising the cap on how much income is taxed. Under current law, taxable wages are capped at $118,500, so income above that amount is exempt from payroll taxes, known as FICA taxes for the Federal Insurance Contributions Act of 1935. [21]

"Social Security really needs a little more money," says the Economic Policy Institute's Morrissey. "The vast majority of people would be better off even if they were paying slightly more in contributions."

Polls show Americans are more inclined to preserve Social Security by raising taxes than by cutting benefits. For example, a 2014 survey by the National Academy of Social Insurance found that 77 percent of respondents said it's critical to preserve Social Security, even if that meant paying more in taxes. Presented with a range of options for raising taxes or cutting benefits, the respondents preferred to pay higher taxes themselves and to impose higher taxes on the wealthy, rather than raise the retirement age or cut benefits. [22]

Policymakers could adjust benefit formulas to help get Social Security on a more solid fiscal footing. Currently, benefits are based on the highest 35 years of the recipient's wages and are linked to average U.S. wage growth. If they were based on the highest 38 years of earnings (thereby incorporating three years of lower earnings) and linked to inflation (which tends to rise more slowly than wages), average benefits would be lower. [23]

But liberals say benefits are already stingy, especially for lower-income workers and those — especially women — who dropped out of the workplace for a period of time, usually to focus on family caretaking. And it is unfair to raise the retirement age, they say, because lower-income workers are not living longer like wealthier workers and manual laborers may be physically unable to spend additional years on the job.

"I have a feeling that most of those people who are talking about it can easily work for a few more years," Richtman says. "I bet you don't hear many nurses or factory workers or people doing manual labor advocating a higher retirement age."

But other policy experts say the retirement age can be increased while still protecting workers in physically demanding jobs by, for instance, allowing such laborers to retire sooner or receive disability payments to tide them over until retirement. "Raising the retirement age doesn't have to be regressive," says Maya MacGuineas, president of the bipartisan Committee for a Responsible Federal Budget.

Conservatives view a tax increase as a nonstarter, citing estimates by the Social Security trustees that the payroll tax would have to be raised by 20 percent — from 12.4 percent to about 15 percent — to balance the trust fund without benefit cuts. "You're really inflicting a fair amount of pain at that point," says Cato's Tanner. "People are going to get hit with a substantial tax increase."

As for raising the cap on payroll taxes, that would affect more than just the wealthy, because "$118,500 is really middle class in cities like New York," Tanner says.

Budget experts also questioned whether raising Social Security taxes should take priority over raising taxes for other needs, such as increasing the gasoline tax to pay for infrastructure improvements.

"If we're talking about a tax increase, I think there are more important things we should be spending money on," says Eugene Steuerle, a fellow and the Richard B. Fischer chair at the Urban Institute. Steuerle and some other experts say Social Security would be best helped through a combination of policy changes, handled in such a way that lower-income people are not adversely affected.

Should Social Security be privatized?

A person who invested $100 in the stock market in 1935, when Social Security was created, would likely have more than $200,000 today. [24] That sort of gain has experts wondering if Americans would enjoy a more affluent retirement if they could invest the amount they pay in FICA taxes instead of having to pay that money into the Social Security trust fund.

"There are much better ways for workers to build toward retirement," says the Heritage Foundation's Boccia. "For income replacement and to ensure a comfortable retirement, I think private retirement savings are much better at accomplishing that."

For decades, conservatives have pressed to partially or completely privatize Social Security by allowing workers to divert some or all of the 12.4 percent FICA tax into specially designed retirement accounts.

They could provide workers with better returns over time, privatization advocates say. The stock market has delivered average earnings of more than 10 percent per year (compounded, including interest) over the last 80 years. [25] The Treasury bonds that the Social Security trust fund invests in generally return much less than half of that. [26]

But experts who support the traditional, conservative approach of Social Security say the stock market is far too unstable to be the only source of retirement income for workers.

"People don't want their benefits to depend on whether Wall Street has a good year or bad year," says Gary Burtless, a senior fellow in economic studies at the liberal Brookings Institution think tank in Washington. "It's very hard for most people on their own to make the calculations and investment choices in setting aside a certain proportion of their current income into a retirement savings account. And Social Security does that very well."

Getty Images/Universal Images Group

As exercise and improved medical care help Americans live longer, some experts say major changes must be made in Social Security, such as raising the retirement age or reducing benefits. Others say minor adjustments, such as increasing payroll taxes on wealthier workers, would largely keep the system solvent. Above, older Americans take a water aerobics class.

The political debate over privatizing Social Security has cooled since President George W. Bush made it a top priority but could not get Congress to vote on the issue. His plan would have allowed younger and middle-aged workers to direct a limited portion of the payroll taxes that they and their employers pay into certain stock funds administered by the government.

The stock market crash of 2008, which wreaked havoc on retirement accounts, further dampened interest in privatization. "We've all lived through the Great Recession," says Boston College's Munnell. "That would have been even more of a tragedy if everyone had all their retirement savings in the stock market."

Some experts also argue that while establishing private savings accounts

Getty Images/GraphicaArts

A 1935 poster introduces the newly enacted Social Security program to the American public. "We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life," said President Franklin D. Roosevelt, who championed the landmark program. "But we have tried to frame a law which will give some measure of protection to the average citizen and to his family against . . . poverty-ridden old age."

might strengthen overall retirement savings in the long run, it would worsen Social Security's financial condition in the short term. The trust fund would run out of money even more quickly if a portion of the payroll tax were diverted to the market, they say.

"Creating private accounts made a good deal of sense when we had Social Security surpluses," says the Committee for a Responsible Federal Budget's MacGuineas, who supported some privatization proposals in the past. "But the moment for creating them has passed now that Social Security is running deficits."

Still, the idea of putting money into private accounts is enticing to some, such as the Cato Institute's Tanner. He advocates allowing workers younger than 55 to divert up to 6.2 percent of their FICA payroll taxes into their own private retirement accounts, while agreeing to forgo future Social Security benefits. The other 6.2 percent would go into financing the trust fund during a transition period away from the traditional system.

"If we move to a system of personal accounts, we would reduce the future obligations of Social Security substantially, but we have to find a way to cover current retirees," Tanner says. "There is no painless way to do it. But it makes the system better in the long term."

To some extent, the debate over privatization comes down to whether the risk of investing in the market is worth the higher returns. Advocates of Social Security favor the reliability of the current system, which not only provides a check every month but also increases the amount based on inflation. They say this is particularly important as pensions become less common.

"Social Security is that solid, foundation income protection that people can count on being there," says Czarnowski, the consultant. "The changes in the other parts of the retirement world these days [such as the loss of pensions] makes that especially important."

Boccia, however, warns that Social Security — like the market — should not be viewed as a guaranteed source of income.

"There's also risk in giving all your money to the government and then expecting the government to take care of you," she says. "There's political risk, and there's risk of fiscal crisis." ■

Continued on p. 492

Chronology

1930s *Social Security is created to combat widespread poverty among the elderly during the Great Depression.*

1935
President Franklin D. Roosevelt signs the Social Security Act, the nation's first major anti-poverty insurance program providing benefits to older Americans.

1939
Ida May Fuller of Ludlow, Vt., becomes the first retiree to receive a monthly Social Security check. Social Security is expanded to provide benefits to workers' survivors.

1940s-1960s
Post-World War II population boom sets the stage for Social Security's future funding shortfall.

1946
The first year of the Baby Boom starts a demographic bulge that will last for the next 18 years.

1950
Cost-of-living adjustments are applied to Social Security benefits to protect them from inflation. There are 16 workers for every retiree in the United States, more than enough to cover Social Security benefits.

1954
Congress expands Social Security to cover disabled workers who are 50 and older, and disabled adult dependents.

1961
All workers are allowed to receive reduced, early-retirement benefits at age 62.

1965
Medicare, the most far-reaching change to the entitlement system for seniors, becomes law, providing health insurance to millions of Americans age 65 or older.

1970s-1990s
Concern mounts over Social Security's solvency as demographers warn of a coming wave of Baby Boom retirements.

1972
Social Security's new Supplement Security Income program provides additional benefits to low-income seniors and includes coverage for the blind and disabled — groups previously served by states and localities with federal funding.

1977
To restore the Social Security trust funds' financial soundness, Congress agrees to gradually raise payroll taxes from 9.9 percent to 10.8 percent and increases the maximum earnings subject to those taxes.

1983
Congress authorizes taxation of Social Security benefits, brings federal employees into the system, raises the payroll tax to 12.4 percent and sets in motion a gradual increase — from 65 to 67 — in the age at which retirees can claim full benefits.

1999
The Ticket to Work and Work Incentives Improvement Act provides vocational rehabilitation and employment services to help disability beneficiaries find work.

2000s *Elected officials fail to reach consensus on major changes to Social Security.*

2005
Republican President George W. Bush's proposal to partially privatize Social Security fails to pick up significant support in Congress.

2008
The first Baby Boomers reach age 62, making them eligible for reduced, early-retirement Social Security benefits.

2009
The age at which retirees may receive full Social Security benefits rises to 66 for those born after 1943.

2010
The Social Security trust fund begins to pay out more in benefits than it collects in revenues.

2015
Congress agrees to put money from the Social Security trust fund into the nearly depleted Disability Insurance trust fund, which was estimated to run out of money in 2022. . . . In a sign of the potential scope of fraud, the Social Security Administration's Office of the Inspector General identified about 6.5 million Social Security number holders who were 112 or older — even though just 35 people worldwide were that old.

2027
The retirement age for full Social Security benefits is scheduled to rise to 67 for those born in 1960 or later.

2029-2034
The Social Security trust fund will run out of money in 2029, according to projections by the Congressional Budget Office; the Social Security Administration says it will happen in 2034.

Disability Program Faces Financial Challenges

As claims mount, policy experts seek to get recipients back to work.

Patty, 59 years old and taking powerful medication for back pain, has been receiving disability payments from Social Security for five years. But she says she can't make ends meet on her monthly check of slightly more than $1,100.

So, she says, she breaks the rules. Despite chronic pain and rules against earning an additional $1,130 a month or more, she regularly makes herself available to help elderly neighbors with light chores to keep up on her bills.

"I'm not supposed to be working, but I have to make ends meet," says the New York woman, who asked that her last name not be used. "What they give you for disability is really not enough to live off with. . . . My rent is $1,374 so I'm already short, and then you've got your regular living to do."

Some 11 million disabled workers and their dependents get monthly checks under a pair of programs for the disabled called Supplemental Security Income, or SSI (for those with the greatest financial need) and Social Security Disability Insurance (for those who become disabled after having worked for a number of years). The average monthly benefit is $1,165. [1] Even though the programs are designed as a safety net for the permanently disabled, critics say they are instead trapping beneficiaries in near poverty by issuing small checks and prohibiting them from earning much outside income.

"Being on disability might mean that a person has some sort of income but is still homeless or is struggling to afford medication or food or transportation to medical appointments," says Colleen Rivecca, advocacy program lead at St. Anthony's, a nonprofit that provides services to low-income people in San Francisco.

The disability programs are controversial, both because the rules make it difficult for Americans to get into or out of the programs and because of mounting expenses. By some measures, disability programs have become the most important element of the nation's safety net. The federal government spends about $145 billion annually on these programs, more than food stamps ($74 billion) and welfare ($17 billion) combined. [2]

Last year, Congress had to transfer emergency funds into the Disability Insurance trust fund to keep it from running out of money. It did so by increasing the portion of the 12.4 percent payroll tax that goes into the disability trust fund from 1.8 to 2.37 percent for a three-year period. [3] Even so, the fund is in more precarious shape than Social Security's program for the retired and is projected to run out of money by about 2022.

Concerned about beneficiaries remaining in the program indefinitely, Congress in 1999 created the Ticket to Work program to help people with disabilities return to work. But the program has had limited success. The last time it was evaluated in 2013, only about 60,000 people had received support through the program out of several million receiving disability benefits. [4]

As more Americans say they are too disabled to work, critics worry that disability is becoming a substitute for welfare. The number of Americans receiving disability payments has quadrupled since 1970, with more than 2 million additional recipients coming on the rolls in the decade after Congress scaled back traditional welfare payments in 1996. [5] Whereas the leading cause of disability in the early years of the program were heart disease and stroke, more than half the beneficiaries have mental disorders or musculoskeletal diseases, which can often be difficult to prove. [6]

"Over half the people on disability are either anxious or their back hurts," said Sen. Rand Paul, R-Ky. "Join the club. Everybody over 40 has a back pain." [7]

But advocates for the disabled say claims of program abuse are largely exaggerated.

"You will hear examples of someone who's collecting disability benefits and playing golf," says Max Richtman, president and CEO of the National Committee to Preserve Social Security and Medicare. "But the vast majority are not playing golf. They're often bedridden,"

Bipartisan consensus seems to be growing on the need to make changes to the disability system. Most important, policy experts agree, is to provide more incentives to get disabled Americans back into the workforce.

Continued from p. 490

BACKGROUND

Depression Roots

Social Security began during the Depression, but the concept of a public safety net to protect citizens from poverty dates back to the earliest days of the country.

In his pamphlet "Agrarian Justice," written shortly after the Revolutionary War, American patriot Thomas Paine proposed creating a fund, financed through an inheritance tax, to provide a single payment of 15 pounds sterling to citizens reaching age 21 to help them get started in life, and annual payments of 10 pounds sterling to everyone 50 and older to prevent poverty in old age. [27]

Paine's idea never made its way into public policy. Before the Industrial Revolution drew workers from the farms into urban factories, people who could no longer work as a result of injury or old age relied on family for support and care. But the move to cities eroded that safety net, as extended families broke into smaller, "nuclear" households composed of parents and their children. Charities and a patchwork of state welfare programs turned out to be a poor substitute for family-based support.

"Right now we don't allow partial disability," says Michael Tanner, a senior fellow at the libertarian Cato Institute. "It's almost like a light switch that's on or off. The current system basically forces you out of the workforce. To the degree that Congress can come together on mom and apple pie, I think we may see changes. Even supporters of the system would like to see changes."

Some experts favor an approach that would steer applicants into rehabilitation programs with the goal of eventually moving them back into the workforce. Only if the rehabilitation was unsuccessful — or if an applicant was so disabled that rehabilitation was not worth trying to begin with — would the person become eligible for permanent disability benefits.

"The idea is to make sure that workers have access to the types of support that we believe can help people stay in the labor force even when they have significant medical conditions," says David Stapleton of the Princeton, N.J.-based policy research organization Mathematica Policy Research, who has worked on this type of plan.

"Under the current process, the Social Security Administration can't distinguish in many cases between people who can work with the right support and medical treatment versus those who reasonably cannot work," adds Stapleton, director of Mathematica's Center for Studying Disability Policy. "We should change the rules so the process takes into account the technologies and other things that will allow a person to work despite having a very significant medical problem."

To enable recipients to start earning more income, Congress last year directed the Social Security Administration to test a plan that would reduce monthly benefits by $1 for every $2 of outside earnings that exceed the $1,130 threshold. In contrast, recipients currently lose their entire benefits if their outside earnings exceed the threshold for more than nine months.

Rivecca says such changes could make a major difference for recipients. "They can't survive on the income they have," she says. "Even to make an extra $50 a month can help to buy food."

— David Hosansky

Getty Images/*The Washington Post*/Kevin Cook

Patrick McGarvey, 48, of Riegelsville, Pa., says he waited seven years to get approved by the Social Security Administration to receive disability benefits for his debilitating back pain. "I'd much rather be working," he said.

[1] "Social Security Basic Facts," Social Security Administration, http://tinyurl.com/j7nwkff.

[2] The funding estimates come from various sources. For Social Security disability: "A Summary of the 2015 Annual Reports," Social Security Administration, http://tinyurl.com/goa7zg8; for the Supplemental Nutrition Assistance Program, or food stamps: "Supplemental Nutrition Assistance Program Participation and Costs," U.S. Department of Agriculture, May 6, 2016, http://tinyurl.com/o28odbs; and for Temporary Assistance for Needy Families: "Temporary Assistance for Needy Families: Spending and Policy Options," Congressional Budget Office, Jan. 21, 2015, http://tinyurl.com/hotwwl8.

[3] Philip Moeller, "How the Budget Deal Will Change Medicare and Social Security," *Time*, Oct. 30, 2015, http://tinyurl.com/pnjdyv9.

[4] Gina Livermore *et al.*, "Executive Summary of the Seventh Ticket to Work Evaluation Report," Center for Studying Disability Policy, July 30, 2013, http://tinyurl.com/gr95yds.

[5] "Social Security Beneficiary Statistics: Number of beneficiaries receiving benefits on Dec. 31, 1970-2015," Social Security Administration, http://tinyurl.com/hgv5plg.

[6] Steve Contorno, "Rand Paul says most people receive disability for back pain, anxiety," *PolitiFact*, Jan. 16, 2015, http://tinyurl.com/mgo8a8e.

[7] Stephen Ohlemacher, "Report: Social Security Overpaid Disability Benefits by $17 Billion," *Business Insider*, June 5, 2015, http://tinyurl.com/zswbwmk.

Only one segment of American society — veterans — enjoyed government-provided income protection. Workers for private companies did not have guaranteed benefits, although some paternalistic companies retained older workers in token jobs at reduced pay. In a few other cases, workers received some form of retirement stipend. More commonly, however, older workers were simply dismissed when they were no longer productive.

In 1882, one of the first formal pension plans for workers was introduced by the Alfred Dolge Co., a builder of pianos and organs. Dolge placed 1 percent of each worker's salary into a pension fund and added 6 percent interest each year. But the plan was largely unsuccessful because it required a worker to spend many years with the company, and the pension disappeared when the company went out of business. Other company pensions also failed to take hold for varying reasons. By 1932, only 5 percent of the elderly were receiving company pensions. [28]

Meanwhile, several factors were combining to undermine the living standards of older Americans: urbanization, the breakdown of the extended family, increasing reliance on wage income for survival and a rapid increase in life expectancy due to improved sanitation and health care. By the 1920s, the country was older and significantly more industrialized, with more people living in cities than on farms for the first time. With no one to care for them and no income, millions of former workers faced the prospect of dying in poverty.

The plight of America's elderly population worsened after the stock market crashed in 1929 and the Great Depression began. Thousands of letters from destitute elderly people poured into Washington. "I'm 72 years old and have no one to take care of me," wrote a woman from South Carolina. A letter that reached the White House from a Virginia woman stated: "I'm a 60-year-old widow greatly in need of medical aid, food and fuel, I pray that you would have pity on me." [29]

President Herbert Hoover (1929-33) asked Americans to volunteer their services and charitable contributions to alleviate the plight of the unemployed and the elderly. But with so many people facing financial hardship nationwide, Hoover's call went largely unanswered, leaving much of the challenge to the states.

By the 1930s, most states had established limited old-age "pensions" for older Americans who met financial need standards. But these programs were implemented unevenly. By 1935, only 3 percent of the elderly were receiving benefits — and the average benefit was just 65 cents per day. [30]

Social Security Act

President Franklin D. Roosevelt (1933-45) took office promising to shift the model for federal economic security policy from state-based welfare assistance programs to federal programs similar to the "social insurance" plans prevalent in Europe. First adopted in 1889 in Chancellor Otto von Bismarck's Germany, social insurance plans worked like commercial insurance plans, collecting premiums, or taxes, from a large pool of working-age citizens to pay benefits to those who meet eligibility conditions, such as the disabled and the elderly.

On June 8, 1934, Roosevelt announced his support for a similar approach in the United States and created the Committee on Economic Security to propose a plan. Seeking to placate critics of such an expanded role for the federal government, he said: "This seeking for a greater measure of welfare and happiness does not indicate a change in values. It is rather a return to values lost in the course of our economic development and expansion." [31]

The following year, Congress began debating legislation based on recommendations by the committee. Both chambers passed the Social Security Act by overwhelming margins. On Aug. 14, 1935, Roosevelt signed the new program into law.

> **"I bet you don't hear many nurses or factory workers or people doing manual labor advocating a higher retirement age."**
>
> *— Max Richtman,*
> *President and CEO,*
> *National Committee to Preserve Social Security and Medicare*

It created a social insurance program to pay retired workers a steady income for the rest of their lives. "We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life," Roosevelt said. "But we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age." [32] The law also included incentives for states to establish unemployment insurance programs, which all of the states had done by 1937. [33]

Although the law had been passed with significant Republican support, it became a major issue in the 1936 presidential election, facing withering attacks from GOP nominee Alf Landon, who denounced it as "unjust, unworkable, stupidly drafted and wastefully financed." He also said that, "to call it social security is a fraud on the working man." [34]

The law also withstood fierce legal challenges from companies, with the Supreme Court in 1937 agreeing with the administration that the new program was constitutional. The landmark ruling would permanently extend the reach of the federal government. [35]

The law provided the basic structure for today's Social Security program, awarding benefits only to covered workers when they retired at age 65. And, unlike the state old-age pension plans, it was funded through a contributory system, in which future beneficiaries contributed to their own retirement though payroll deductions made during their working lives. On Jan. 1, 1937, workers began acquiring credits toward their old-age benefits, and they and their employers began paying FICA taxes. The revenues were placed in a dedicated Social Security trust fund to be used for paying benefits.

For the first three years Social Security paid each beneficiary a small, single, lump-sum payment because early recipients had not paid enough into the system to be vested for monthly benefits. This changed as the trust fund accumulated sufficient revenue. The first retiree to receive a monthly Social Security check was legal secretary Ida May Fuller of Ludlow, Vt., who retired in 1939 at age 65. Because of Social Security's pay-as-you-go financing arrangements, she got a great return. After contributing just $24.75 into the system over three years, Fuller collected $22,888.02 in Social Security benefits before she died in 1975 at the age of 100. [36]

Amendments Passed

In 1939 Congress expanded Social Security, transforming it from a retirement system for workers into a broader family income-security system. The changes added so-called dependent's benefits (payments to the spouse and children under 18 of a retired worker who died) as well as survivors' benefits paid to the family if a covered worker died prematurely. Lawmakers subsequently adopted cost-of-living allowances (COLAs) to make sure benefits kept up with inflation. [37]

President Dwight D. Eisenhower (1953-61) signed laws that gradually expanded the program to cover disabled workers and their dependents. In 1956, Congress reduced from 65 to 62 the age at which women could begin receiving benefits. Women who took benefits earlier would receive smaller monthly checks based on the actuarial notion that they would receive benefits for a longer period of time than if they waited until age 65. The same early-retirement option was extended to men in 1961. [38]

In 1965, building on Roosevelt's vision of a strong governmental role in protecting older Americans from poverty, President Lyndon B. Johnson (1963-69) signed legislation establishing Medicare. By providing health insurance to nearly all Americans age 65 and older, Medicare would become one of the most far-reaching changes in the health and financial security of older Americans. [39]

By the late 1960s, there was growing interest in reducing waste and redundancy by merging state and local welfare programs with the federal Social Security system. The 1972 Social Security Amendments brought three such "adult categories" — the needy aged, blind and disabled — under a single new Social Security program called Supplemental Security Income (SSI). More than 3 million people were shifted from the state welfare rolls to the new federal SSI program. [40]

The 1972 amendments also increased Social Security benefits for elderly widows and widowers, extended Medicare to individuals receiving disability benefits and those with chronic renal disease and increased Social Security benefits for workers who delayed retirement past age 65. [41]

Concerns about Social Security's soundness began to surface in the late 1970s. An economy beset by "stagflation" — inflation and minimal economic growth — and the coming demographic time bomb posed by the Baby Boom Generation fueled predictions that the trust funds would soon be exhausted. To address the potential shortfall, Congress passed the 1977 Social Security Amendments, which gradually increased the payroll tax from 9.9 to its current 12.4 percent rate, increased the maximum earnings subject to Social Security taxes and adjusted the way COLAs and the wage base were calculated. [42]

But within a few years Social Security again faced a serious funding crisis due to rapid growth in benefit expenditures. The crisis prompted President Ronald Reagan (1981-89) to appoint a panel to recommend ways to fix the system, headed by economist Alan Greenspan (who would later become chairman of the Federal Reserve). Based on the group's recommendations, the 1983 amendments made Social Security benefits taxable, brought federal employees into the system and gradually increased the official retirement age from 65 to 66 in 2009, and 67 in 2027. It also raised, over time, the payroll tax for the self-employed from 8.05 percent to its current level of 12.4 percent. [43]

The increased revenues, designed to prepare Social Security for the coming retirement of the Baby Boomers, generated a large surplus that was invested in special, non-tradeable Treasury bonds, with interest credited to Social Security. The surplus was available to the Treasury for the funding of other programs, although it had to be repaid whenever the Social Security commissioner wanted to redeem them.

The surplus has generated debate in recent decades, particularly after Vice President Al Gore in his failed 2000 presidential campaign proposed the creation of a Social Security "lockbox" to protect the program's annual surplus, which at the time amounted to about $150 billion or more. Part of the issue — which has dogged Social Security since it began racking up surpluses in the 1930s — is that the government lacks a ready mechanism to sock away surplus funds to keep them from being used by other programs. With surpluses gradually dwindling away, the issue has faded, although some economists say the surplus indirectly enabled President George W. Bush (2001-09) to pay for such priorities as a 2001 tax cut. [44]

Reagan also oversaw the beginnings of a shift in philosophy on social safety net programs, calling for smaller government and tighter eligibility standards for welfare programs. The Republican-led Congress in 1996 passed legislation that disqualified applicants for Social Security or SSI disability benefits if drug or alcohol addiction contributed to the disability. Congress in 1996 also ended SSI eligibility for most legal, non-citizen immigrants and tightened eligibility standards for disabled children. After public outcry, lawmakers later relaxed some of the new restrictions on non-citizens and children. [45]

President Bill Clinton (1993-2001) signed two other bills aimed at encouraging Social Security beneficiaries to work. The 1999 Ticket to Work and

Work Incentives Improvement Act established a new program providing vocational rehabilitation and employment services to help disability beneficiaries find productive work. The 2000 Senior Citizens' Freedom to Work Act allowed workers to receive benefits even if they continued to work past the normal retirement age. [46]

Privatization Debate

Mistrust of large government programs, combined with high returns on stock market investments in the 1990s, created interest in partially or entirely privatizing Social Security. At the beginning of his second term, President Bush proposed overhauling the program and allowing younger workers to voluntarily divert a portion of their payroll taxes into private accounts.

"Here's why the personal accounts are a better deal," said Bush in his State of the Union address on Feb. 2, 2005. "Your money will grow, over time, at a greater rate than anything the current system can deliver — and your account will provide money for retirement over and above the check you will receive from Social Security. In addition, you'll be able to pass along the money that accumulates in your personal account, if you wish, to your children and/or grandchildren. And best of all, the money in the account is yours, and the government can never take it away." [47]

At the time, Americans were becoming increasingly dependent on tax-deferred 401(k) accounts invested in the stock market. Congress created such accounts in 1978, and they gradually became a cornerstone of the retirement system, especially as companies cut costs by phasing out traditional pensions or, in some cases, were unable to cover promised pension benefits after going bankrupt. [48]

Bush then embarked on a national campaign, traveling around the country to promote the plan. But growing numbers of Americans expressed disquiet with privatization. In March 2005, a survey by the Pew Research Center for the People and the Press showed that only 29 percent of respondents approved of Bush's handling of Social Security. [49] The issue largely faded away without a vote in Congress, as the administration was beset by other issues, such as recovery efforts in New Orleans and the Gulf Coast after Hurricane Katrina struck in August.

By 2008, talk of privatization of Social Security had evaporated, along with public trust in Wall Street investments, in the wake of a mortgage crisis and subsequent stock market crash that cost U.S. households almost $8 trillion in wealth. [50]

Congress instead focused on minor changes to the program. Last fall, with the Disability Insurance trust fund just a year away from running out of money, lawmakers agreed to allow the reallocation of funds from the Social Security trust fund (officially called the Old-Age and Survivors Insurance trust fund). This temporary infusion of cash will keep the disability trust fund solvent until 2022. [51]

Lawmakers also made other changes, including saving money by ending a popular practice known as "file-and-suspend," under which a retiree could file for benefits and then suspend them, enabling them to grow for several more years while still being eligible to collect a spouse's monthly payments. ■

CURRENT SITUATION

Presidential Politics

In this year's tumultuous presidential race, Republicans and Democrats have staked out vastly different positions on Social Security.

Donald Trump, the GOP front-runner, has repeatedly vowed to protect Social Security and other entitlements. "It's my absolute intention to leave Social Security the way it is," he said during a Republican debate in March. "I want to make our country rich again so we can afford it." [52]

After his opponents dropped out of the race and Trump became the presumptive GOP nominee, however, his campaign seemed to signal an openness to considering cuts to the program. A Trump policy adviser said at a conservative conference in May that "after the administration's been in place, then we will start to take a look at all of the programs, including entitlement programs like Social Security and Medicare." [53]

Several of Trump's political opponents laid out more traditionally conservative positions before dropping out of the race, calling for various approaches to scaling back benefits and, in some cases, partially privatizing the system.

For instance, New Jersey Gov. Christie suggested reducing benefits for those with more than $80,000 in other income and eliminating benefits for anyone making more than $200,000. He also would have raised the age for early retirement from 62 to 64 and for full retirement from 67 to 69. Former Florida Gov. Jeb Bush proposed gradually raising the retirement age to 70, reducing benefits for the wealthiest seniors and allowing recipients who claim early Social Security benefits to earn more without losing benefits. Sen. Ted Cruz of Texas backed partial privatization, raising the eligibility age and reducing benefits. [54]

Perhaps not wanting to alienate the sizable senior voting bloc, all of the candidates stressed that they would not touch benefits for Americans already receiving benefits or those about to retire.

On the Democratic side, the candidates focused on shoring up the program and even expanding it, rather than reducing benefits. Former Secretary

Continued on p. 498

At Issue:

Should Congress raise the full retirement age to 70?

ROMINA BOCCIA
RESEARCH FELLOW IN FEDERAL BUDGETARY AFFAIRS AND DEPUTY DIRECTOR, ROE INSTITUTE FOR ECONOMIC POLICY STUDIES, THE HERITAGE FOUNDATION

WRITTEN FOR *CQ RESEARCHER*, JUNE 2016

It makes sense to raise the age at which people can claim full Social Security benefits to 70 in a gradual, predictable manner. The change would treat retirees fairly, strengthen Social Security for current and future generations and protect workers from excessive payroll taxes.

Americans live much longer than they did when Social Security began in 1935, but the retirement age has not kept pace with longer life expectancies. Since 1940, life expectancy at age 65 has risen six years for men and seven for women. Longer lives translate into greater work capacity and potentially greater earnings. Yet, largely because of the availability of Social Security and other age-based retirement benefits, many individuals retire long before they have to. A recent study concluded that average Americans could work 2.5 to 4.2 years longer than they do now.

As it is, more and more Americans are drawing benefits for longer periods. This puts a tremendous — indeed, unsustainable — financial strain on the Social Security system. It also makes our economy less dynamic, as experienced and productive workers leave the workforce prematurely.

Lawmakers should gradually increase the Social Security retirement age, to 70 over the next decade, and future rises should be tied to improvements in life expectancy. The alternative is ever-lengthening benefit payouts requiring ever-increasing taxes to pay for them. Social Security already faces an annual cashflow deficit in the tens of billions. Its trust fund will be completely depleted by 2034, if not sooner.

Social Security was never meant to be workers' sole source of income in retirement. Individuals should continue to have the choice to retire on their own schedule, using their private retirement savings. Lawmakers can help by reducing the program's size and scope to ensure workers don't wind up dependent on government in their old age because excessive taxes left them unable to save adequately during their working years.

Social Security was designed as a safety net to protect individuals too old to work from poverty. Forcing workers to subsidize decades-long retirements of able-bodied, well-to-do retirees is unfair and damaging to the workers. Meanwhile, individuals unable to work until the higher retirement age can apply for Social Security disability.

Increasing the Social Security retirement age to 70 and indexing it to life expectancy can help ensure that benefits will be there for those who truly need them, while protecting workers from undue tax burdens.

GARY BURTLESS
SENIOR FELLOW, ECONOMIC STUDIES, THE BROOKINGS INSTITUTION

WRITTEN FOR *CQ RESEARCHER*, JUNE 2016

Social Security faces a serious funding problem. The program takes in too little money to pay all that has been promised to future beneficiaries. Government forecasters predict Social Security's reserve fund will be depleted between 2030 and 2034. There are two basic ways we can eliminate the funding gap: cut benefits or increase contributions. A common proposal is to increase the age at which workers can claim full retirement benefits. For people nearing retirement today, the full retirement age is 66. As a result of a 1983 law, that age will rise to 67 for workers born after 1959.

When policymakers urge us to raise the retirement age, they are proposing to increase the full retirement age beyond 67, possibly to 70, for workers now in their 30s or 40s. This saves money, but it also cuts monthly retirement benefits by the same percentage for every worker, unless workers delay claiming benefits. The policy might seem fair if workers in future generations could all expect to share in gains in life expectancy. However, new research shows that gains in life expectancy have been very unequal, with the biggest improvements among workers who earn top incomes. Life expectancy gains for workers with the lowest incomes have been small or negligible.

If the full retirement age were raised, future retirees with high lifetime earnings can expect to receive some compensation when their monthly benefits are cut. Because they can expect to live longer than today's retirees, they will receive benefits for a longer span of years after 65. For low-wage workers, there is no compensation. Since they are not living longer, their lifetime benefits will fall by the same proportion as their monthly benefits. Thus, "raising the retirement age" is a policy that cuts the lifetime benefits of future low-wage workers by a bigger percentage than it does of future high-wage workers.

The fact that low-wage workers have seen small or negligible gains in life expectancy signals that their health when they are past 60 is no better than that of low-wage workers born 20 or 30 years ago. This suggests their capacity to work past 60 is no better than it was for past generations. A sensible policy for cutting future benefits should therefore preserve current benefit levels for workers who have contributed to Social Security for many years but have earned low wages.

Continued from p. 496

of State Hillary Clinton would raise the cap on payroll taxes, thereby taxing higher-income workers. She would also increase benefits for lower-income Americans, especially women who would otherwise qualify for lower benefits because they earned less than their male counterparts or took time off to care for their families.

"We have a lot of women on Social Security, particularly widowed and single women who didn't make a lot of money during their careers. They are impoverished, and they need more help from the Social Security system," she said during a debate last year. "And I will focus — I will focus on helping those people who need it the most." [55]

Getty Images/Andrew Burton

Sen. Elizabeth Warren, D-Mass., and other liberals are pushing to increase Social Security benefits this year. Legislation proposed by Warren would give Social Security recipients and veterans receiving pensions and other benefits a one-time payment of $581 to compensate for the lack of a cost-of-living adjustment in 2016.

Sen. Bernie Sanders of Vermont has introduced legislation that would increase benefits by about $65 a month for most recipients, with the greatest increase going to lower-income retirees. Like Clinton, he would raise the payroll tax cap. [56]

Despite the debate on the campaign trail, Social Security has attracted relatively little attention this year in Congress, which is split between those who propose cutting benefits and those who want to raise the payroll tax cap.

Long-term changes aside, liberals are pushing to increase benefits this year. Legislation proposed by Sen. Elizabeth Warren, D-Mass., would give recipients of Social Security retirement and disability benefits, as well as Americans receiving veterans' benefits, a one-time payment of $581 to compensate for the lack of a cost-of-living adjustment in 2016. With inflation dropping in 2015 due to declining oil and gasoline prices, this year marked just the third time since 1975 that recipients did not receive a cost-of-living increase. However, seniors are disproportionately affected by health care costs, which are rising faster than inflation.

"The 0 percent COLA was calculated partly by figuring in a lower price for gas, but I don't drive very much," said Susan Taylor, a member of the Maryland/DC Alliance for Retired Americans, who attended a March rally to deliver a petition with 800,000 signatures to Senate Majority Leader Mitch McConnell, R-Ky., calling for a vote on the bill. "This one-time emergency payment would help me with what I do spend money on: food, health care expenses, and housing." [57]

However, no legislation addressing Social Security's overall fiscal condition has been introduced this year. That concerns fiscal experts, who say political leaders must start working on the issue well before the trust funds run out of money. They also want to see more balanced proposals that address both major aspects of the issue: how Social Security can better serve retirees and how its long-term finances can be strengthened.

"This is an election where people are talking about a lot of easy things and not grappling with the choices we have to make," says MacGuineas of the Committee for a Responsible Federal Budget. "It's not the policies that have me concerned. It's the politics."

Savings Crisis

Amid growing concerns that American workers are not setting aside enough money to supplement their future Social Security checks, policy experts wonder if there are better ways to encourage retirement savings.

One widely quoted guideline suggests workers should start saving for retirement by age 25, aiming to save three times their annual salary by age 45 and five times their annual salary by age 55. [58] But most Americans fall well short.

A report last year by the U.S. Government Accountability Office found that 52 percent of American households 55 and older have saved nothing for retirement, although half of those households have a pension. Of the older workers with retirement savings, the median amount is just $104,000 per household. [59] And, the median retirement balance in tax-deferred accounts, such as 401(k) plans, is just

$3,000 for all working-age households, according to a survey by the National Institute on Retirement Security. [60]

"The magnitude of this crisis is considerably worse than many realize," concluded the National Institute on Retirement Security report.

Some economists worry that many retirees in coming generations will be impoverished, further widening the gap in the United States between rich and poor. [61]

"In America, when we had disability and defined benefit plans, you actually had an equality of retirement period," said Teresa Ghilarducci, a labor economist at the New School for Social Research. "Now the rich can retire, and workers have to work until they die." [62]

The lack of savings in retirement accounts, combined with the fact that fewer American workers have pensions, will make retirees even more dependent on Social Security. But because the program is not designed to cover 100 percent of a retiree's income, retirement experts are discussing ways to encourage workers to save more.

Munnell of Boston College favors the establishment of universal retirement accounts with contributions from both workers and their employers. The current tax deductions on 401(k) accounts would be redirected to help lower-income earners.

"It's fruitless to lecture people that they should put more aside," she says. "The only way people will save is with automatic savings mechanisms. Automatically enroll them into a 401(k), start with 3 percent of their salaries in funds with low fees, and automatically increase their contributions over time."

Ways to encourage workers to save more have also been floated in Congress. Sen. Jeff Merkley, D-Ore., has proposed creating personal savings accounts for all workers without access to a retirement savings plan through their employer. Modeled on the savings plans used by federal workers and members of Congress, it would require employers to set aside 3 percent of a worker's paycheck into an account unless the worker chose to opt out.

"It shouldn't matter whether you work part time or full time, as an employee or as a contractor, or for a huge corporation or a tiny business: Every American worker deserves access to a financially secure retirement," said Merkley. [63]

The plan, however, is opposed by the Federal Retirement Thrift Savings Board, which said it lacks the staff and resources to open and manage millions of accounts by private workers. The measure has failed to get a hearing in the Senate.

Congress appears unlikely to take any significant action on retirement before the November elections, and there is little discussion of sweeping changes even afterward. Conservatives are leery of creating major retirement policies that would impose new requirements on companies to direct salary money into investment accounts or require additional government administration. They say the failure of many workers to invest in private accounts is evidence that the payroll tax should be scaled back or eliminated, with the money being directed into personal market accounts instead of the Social Security trust fund.

"People who would benefit the most from personal accounts are those on the lower end of the scale because they don't have the opportunity to invest in higher-earning accounts," says the Cato Institute's Tanner. "This is a way of getting lower-earning people into those accounts."

But that is a nonstarter for liberals. They say the failure of 401(k) plans to provide retirement security is exactly why the payroll tax should, if anything, be increased and the focus placed on Social Security instead of the stock market.

"401(k)'s have been a disaster," says Morrissey of the Economic Policy Institute. "I don't see why we would want to expand on a disastrous program. We should expand Social Security and be done with it."

With opinions so divided and little impetus for change in Congress, experts warn that many older workers could be facing a lean retirement.

"Americans today face a retirement savings crisis," Ghilarducci and a colleague said this year. "If we don't act, millions will face poverty." [64] ■

OUTLOOK

Kicking the Can

Policy experts expect little action on Social Security for at least several years.

"I don't think we'll see much happening in the near term," says Boccia of The Heritage Foundation. "The next administration is most likely to tackle the issue in its second term. Social Security is politically very difficult. Whenever anyone suggests any changes to Social Security, no matter how small, special interest groups will work to scare seniors."

"We're waiting until there's a sense of urgency about entitlement reform, and then we'll talk about it again," agrees Tanner of the Cato Institute. "The public right now is not in the mood to change."

However, the longer lawmakers delay, the more limited their options will be and the larger the benefit cuts will have to be to bring the trust fund into balance, experts say.

"The policy options are well-known," says MacGuineas of the Committee for a Responsible Federal Budget. "Every year we wait, it becomes more expensive and it becomes more burdensome, and it jeopardizes people who really rely on the program."

Plus, major policy changes take time to implement, so if lawmakers are up against a tight deadline they will need to opt for a straightforward fix, such as raising the payroll tax rate or increasing the cap on taxable income.

"If you wait until you have to act, then I get my way," says Boston College's Munnell. "Because the only thing you can do fast is raise taxes. You can't suddenly cut benefits."

Indeed, the Social Security disability program may provide an example of this. Last year, when that trust fund was about a year from running out of money, Congress agreed to move around funds to keep it solvent into the 2020s. But lawmakers made no major changes to the program, even though it has faced bipartisan criticism for discouraging recipients from returning to the workforce.

If Congress moves slowly on the retirement trust fund, it may likewise find itself unable to change it. "The closer we come to 2030 or 2034, the more pressure there's going to be on Congress in the short run to protect the benefit level," says Burtless of the Brookings Institution.

Looking further down the road, the long-term demographic trends indicate that the system eventually will become more fiscally stable, because the ratio of workers to retirees should begin to expand again as the Baby Boomer Generation recedes.

"The Baby Boomer Generation is an anomaly," says MacGuineas. "It's a very large problem but once we get through the Baby Boomers, we won't have that structural problem. Social Security is a model that can continue and will continue to be successful."

"One of the strengths of the program for its 80-plus years is its ability to adapt and change as society changes," agrees Czarnowski, the consultant. "I think it will always be there for Americans in some form."

Notes

1 "Social Security Beneficiary Statistics" (as of Dec. 31, 2015), Social Security Administration, http://tinyurl.com/hgv5plg.

2 "2015 OASDI [Old Age, Survivor, and Disability Insurance] Trustees Report, Overview," Social Security Administration, http://tinyurl.com/hlyz5mf.

3 Matt Arco, "Christie urging Social Security reform with an eye to 2016," NJ.com, April 15, 2015, http://tinyurl.com/zjltdo7.

4 "Social Security Beneficiary Statistics," *op. cit.*

5 "Social Security Basic Facts," Social Security Administration, http://tinyurl.com/j7nwkff.

6 The Center on Budget and Policy Priorities maintains a helpful explainer about the complex financing of the Social Security trust at http://tinyurl.com/nj4htja.

7 "Ratio of Covered Workers to Beneficiaries," Social Security Administration, http://tinyurl.com/jynbvmo.

8 "2015 OASDI Trustees Report, Long-Range Estimates," Social Security Administration, http://tinyurl.com/jmkxusc.

9 "Status of the Social Security and Medicare Programs: A Summary of the 2015 Annual Reports," Social Security Administration, http://tinyurl.com/goa7zg8. More detail about Social Security's financial situation can be found at the "2015 OASDI Trustees Report," *op. cit.*

10 "Public Opinions on Social Security," National Academy of Social Insurance, 2014, http://tinyurl.com/q5sehmp.

11 "Social Security Beneficiary Statistics," Social Security Administration, http://tinyurl.com/hgv5plg.

12 Philip Moeller, "How the Budget Deal Will Change Medicare and Social Security," *Time*, Oct. 30, 2015, http://tinyurl.com/pnjdyv9.

13 The Social Security expenditures can be found at "CBO's 2015 Long-Term Projections for Social Security: Additional Information," http://tinyurl.com/gpjwhsq. The overall figure for the government's budget office comes from the main budget page of the Congressional Budget Office, http://tinyurl.com/zvsl2eh.

14 Frank Newport, "Many Americans doubt they will get Social Security benefits," Gallup, Aug. 13, 2015, http://tinyurl.com/jc2xb6h.

15 "Transcript of Republican debate in Miami, Full Text," CNN, March 15, 2016, http://tinyurl.com/hsaorpq.

16 "2015 OASDI Trustees Report, Overview," *op. cit.*

17 *Ibid.*

18 "CBO's 2015 Long-Term Projections for Social Security: Additional Information," Congressional Budget Office, Dec. 16, 2015, http://tinyurl.com/gpjwhsq.

19 Bill Alpert, "Social Security's Predictions: Off by a $1 Trillion," *Barron's*, May 9, 2015, http://tinyurl.com/ztv6hr3.

20 "2015 OASDI Trustees Report, Overview," *op. cit.*

21 For chart of taxable wages cap over time, see "Benefits Planner: Maximum Taxable Earnings (1937-2016)," Social Security Administration, http://tinyurl.com/zmxstw2.

22 Elisa A. Walker, Virginia P. Reno and Thomas N. Bethell, "Americans Make Hard Choices on Social Security: Survey Highlights," National Academy of Social Insurance, October 2014, http://tinyurl.com/zzgsotu.

23 The Congressional Budget Office summarizes these and other options for reducing Social Security costs at http://tinyurl.com/htvhu6y.

24 Robert Lenzner, "$1 million in stocks invested in 1935 is worth $240 billion today (if you held on)," *Forbes*, Feb. 14, 2013, http://tinyurl.com/z5ozbnw.

25 *Ibid.*

26 "Annual Returns on Stock, T. Bonds and T. Bills: 1928 — Current," New York University Stern School of Business, updated Jan. 5, 2016, http://tinyurl.com/5jhm7. (Note that geometric average, not arithmetic average, determines returns over time.)

27 "Historical Background and Development of Social Security," Social Security Administration, http://tinyurl.com/h2m7wps.

28 *Ibid.*

29 *Ibid.*

30 *Ibid.*

31 *Ibid.*

32 *Ibid.*

33 "Unemployment Insurance," Social Security Administration, http://tinyurl.com/zdpw95t.

About the Author

David Hosansky is a freelance writer in the Denver area. He previously was a senior writer at *CQ Weekly* and the *Florida Times-Union* in Jacksonville, where he was twice nominated for a Pulitzer Prize. His previous *CQ Researcher* reports include "Wind Power" and "Distracted Driving."

[34] T. J. Hamilton Jr., "The Social Security Controversy," *Editorial Research Reports*, Oct. 2, 1936, available at *CQ Researcher Archives*.
[35] See "Constitutionality of Social Security Act," Social Security Administration, http://tinyurl.com/zxlnw4y.
[36] "Historical Background and Development of Social Security," *op. cit.*
[37] *Ibid.*
[38] *Ibid.*
[39] *Ibid.*
[40] *Ibid.*
[41] *Ibid.*
[42] *Ibid.*
[43] *Ibid.*
[44] The complex question of whether presidents have used the Social Security surplus to fund other priorities is addressed in several articles, including: Linda Qiu, "Did George W. Bush 'borrow' from Social Security to fund the war in Iraq and tax cuts?" *PolitiFact*, Aug. 3, 2015, http://tinyurl.com/og2dg37; and Michael Hilzik, "Disproving the Notion of a Social Security trust fund 'lockbox,' " *Los Angeles Times*, March 8, 2011; http://tinyurl.com/hcw4dwl.
[45] "Historical Background and Development of Social Security," *op. cit.*
[46] *Ibid.*
[47] "Text of President Bush's 2005 State of the Union Address," *The Washington Post*, Feb. 2, 2005, http://tinyurl.com/yz99rlc.
[48] "History of 401(k) Plans: An Update," "Facts from EPRI," Employee Benefit Research Institute, updated February 2005, http://tinyurl.com/gmplp5h.
[49] "Bush Failing in Social Security Push," Pew Research Center, March 2, 2005, http://tinyurl.com/h37h6po.
[50] For background, see the following *CQ Researchers*: Marcia Clemmitt, "Mortgage Crisis," Nov. 2, 2007, pp. 913-936, and Kenneth Jost, "Financial Crisis," May 9, 2008, pp. 409-432; and Henry C. K. Liu, "The Crisis of Wealth Destruction," Roosevelt Institute, April 7, 2010, http://tinyurl.com/hd8sclw.
[51] Moeller, *op. cit.*
[52] Emily Stephenson, "Trump open to Social Security changes if elected: advisor," Reuters, May 11, 2016, http://tinyurl.com/hxoywvq.
[53] *Ibid.*
[54] Russ Wiles, "How presidential candidates would change Social Security," *The Arizona Republic*, March 15, 2016, http://tinyurl.com/hwutnaw.
[55] Michael Hilzik, "Hillary Clinton got one thing very right about Social Security — but not everything," *Los Angeles Times*, Oct. 14, 2015, http://tinyurl.com/jdr5vs8. "CNN Democratic Debate — Full Transcript," Oct. 13, 2015, http://tinyurl.com/o7zboab.
[56] "Strengthen and Expand Social Security," Bernie Sanders Website, http://tinyurl.com/hng5y5z.
[57] Nik DeCosta-Klipa, "Petitioners deliver 800,000 signatures to Mitch McConnell in support of Elizabeth Warren's Social Security bill," *The Boston Globe*, March 9, 2016, http://tinyurl.com/z52a69h.
[58] Dan Kadlec, "What You Should Save By 35, 45, 55 To Be On Target," *Time*, Sept. 21, 2012, http://tinyurl.com/hvhstkl.
[59] "Retirement Security: Most Households Approaching Retirement Have Low Savings," U.S. General Accountability Office, May 12, 2015, http://tinyurl.com/zdp339s.
[60] Nari Rhee, "The Retirement Savings Crisis: Is It Worse Than We Think," National Institute on Retirement Security, June 2013, http://tinyurl.com/hk2el3m.
[61] For background, see the following *CQ Researchers*: Peter Katel, "Future of the Middle Class," April 8, 2016, pp. 313-336; and Marcia Clemmitt, "Income Inequality," Dec. 3, 2010, pp. 989-1012.
[62] Kelley Holland, "Retirement Crisis: The Great 401(k) Experiment Has Failed for Many Americans," CNBC, March 23, 2015, http://tinyurl.com/kew9c9m.
[63] "Merkley introduces retirement savings plan," KTVZ, Jan. 28, 2016, http://tinyurl.com/zokksxl.
[64] Tony James and Teresa Ghilarducci, "America's looming retirement savings crisis," CNBC, March 15, 2016, http://tinyurl.com/hw4m38n.

FOR MORE INFORMATION

Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, DC 20036; 202-797-6000; www.brookings.edu. Think tank that analyzes issues from a centrist perspective; opposes raising the retirement age or cutting Social Security benefits.

Cato Institute, 1000 Massachusetts Ave., N.W., Washington DC 20001; 202-842-0200; www.cato.org. Libertarian think tank that supports allowing workers to divert some payroll taxes into private retirement accounts.

Center for Retirement Research, Boston College, Hovey House, 258 Hammond St., Chestnut Hill, MA 02467; 617-552-1762; www.bc.edu. Research center that studies issues related to Social Security and other sources of retirement income.

Committee for a Responsible Federal Budget, 1900 M St., N.W., Suite 850, Washington, DC 20036; 202-596-3597; www.crfb.org. Nonpartisan think tank that advocates policies to strengthen Social Security finances.

Economic Policy Institute, 1225 I St., N.W., Suite 600, Washington, DC 20005; 202-775-8810; www.epi.org. Liberal think tank that focuses on the economic needs of low- and middle-income workers and opposes privatizing Social Security.

The Heritage Foundation, 214 Massachusetts Ave., N.E., Washington, DC 20002; 202-546-4400. Conservative think tank that favors raising the retirement age to help reduce Social Security costs and advocates transitioning to a system of private retirement accounts.

Mathematica Policy Research, 600 Alexander Park, Princeton, NJ 08453; 609-799-3535; www.mathematica-mpr.com. Research organization formulating proposals to change the Social Security disability program and provide stronger incentives to keep disabled workers employed.

National Committee to Preserve Social Security and Medicare, 10 G St., N.E., Suite 600, Washington, DC 20002; 202-216-0420; www.ncpssm.org. Advocacy group opposing any reduction in Social Security benefits and supporting increased payments to retirees by raising taxes.

Social Security Administration, 6401 Security Blvd., Baltimore, MD 21235; 410-965-3120; www.ssa.gov. Federal agency that administers Social Security.

Bibliography

Selected Sources

Books

Altman, Nancy J., and Eric Kingson, *Social Security Works!* The New Press, 2015.
The co-directors of a Social Security advocacy organization and former staffers for the 1982 National Commission on Social Security Reform contend that the program is vital and should be expanded.

Eberstadt, Nicholas, *A Nation of Takers: America's Entitlement Epidemic*, Templeton Press, 2012.
An economist and demographer with the conservative American Enterprise Institute traces the growth of entitlement spending over the past half-century and contends it has hurt the nation's economy and culture. A rebuttal by William Galston of the liberal Brookings Institution is included.

Kotlikoff, Laurence, Philip Moeller and Paul Solman, *Get What's Yours*, Simon and Schuster, 2015.
An economist (Laurence), an expert on retirement, aging and health (Moeller) and a business and economics journalist (Solman) explain the Social Security retirement system and offer ways to maximize benefits. The book finishes with a spirited debate among the authors about whether Social Security can be sustained over the long term.

Articles

Alpert, Bill, "Social Security's Predictions: Off by a $1 Trillion," *Barron's*, May 9, 2015, http://tinyurl.com/ztv6hr3.
Quoting economists and other policy experts, a journalist warns that predictions that the Social Security trust fund will run out of money in 2034 may be overly optimistic.

Holland, Kelley, "Retirement Crisis: The Great 401(k) Experiment Has Failed for Many Americans," CNBC, March 23, 2015, http://tinyurl.com/kew9c9m.
A business journalist explores the history of 401(k) plans and why the tax-deferred accounts have failed to spur many Americans to set aside enough for retirement.

Joffe-Walt, Chana, "Unfit for Work: The Startling Rise of Disability in America," NPR, 2013, http://tinyurl.com/d7u7n8f.
The broadcast series explores why a fast-growing number of Americans are receiving disability insurance and the implications for the nation.

Pianin, Eric, "Harsh New Penalties for Social Security Fraud Are Coming," *The Fiscal Times*, Oct. 27, 2015, http://tinyurl.com/hemwv69.
A journalist summarizes some of the biggest recent Social Security fraud cases and Congress' response of tougher criminal and civil penalties.

Turkewitz, Julie, and Juliet Linderman, "The Disability Trap," *The New York Times*, Oct. 20, 2012, http://tinyurl.com/8hn47ga.
The authors show how the Social Security system keeps millions of disabled Americans in poverty even as it is supposed to help them.

Wiles, Russ, "How presidential candidates would change Social Security," *The Arizona Republic*, March 15, 2016, http://tinyurl.com/hwutnaw.
In a summary of leading presidential candidates' Social Security proposals, Democrats defend the program or favor expansion, while Republicans generally focus on cutting costs.

Reports and Studies

"2015 OASDI Trustees Report," Social Security Administration, 2015, http://tinyurl.com/jx6to4b.
The annual report on Social Security Old Age, Survivor, and Disability Insurance summarizes the programs' finances and warns payments are exceeding revenues.

"Retirement Security: Most Households Approaching Retirement Have Low Savings," U.S. General Accountability Office, May 12, 2015, http://tinyurl.com/ojz8gqf.
The government watchdog agency finds that more than half of American households headed by an adult 55 or older have put away nothing for retirement and the remaining ones have median retirement savings of only $104,000 per household.

"Social Security Policy Options, 2015," Congressional Budget Office, Dec. 15, 2015, http://tinyurl.com/zu3v6hq.
The CBO, which provides Congress with nonpartisan budget analysis, warns of Social Security's negative cash flow and examines 36 policy options that would help its financial condition, though not all would significantly improve its long-term outlook.

"Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident," Office of the Inspector General, Social Security Administration, March 4, 2015, http://tinyurl.com/j6z9e2v.
The much-publicized study shows that some 6.5 million Social Security numbers remain active for Americans age 112 or older, highlighting the extent to which such numbers can be used for fraud.

Walker, Elisa A., Virginia P. Reno and Thomas N. Bethell, "Americans Make Hard Choices on Social Security: Report Highlights," National Academy of Social Insurance, October 2014, http://tinyurl.com/zzgsotu.
The authors detail national survey findings that Americans would prefer to pay more in taxes than face cuts in Social Security benefits.

The Next Step:

Additional Articles from Current Periodicals

Disability

Grant, Kelli B., "Steps to successfully apply for Social Security disability," CNBC, Feb. 1, 2016, http://tinyurl.com/jar5agu.
Applicants for federal disability benefits should compile complete medical records, ensure their records are sent to the correct Social Security office and avoid collecting unemployment benefits before filing their application, say disability law experts.

Rein, Lisa, "The biggest government backlog is getting worse, watchdog says, but Social Security has a plan," *The Washington Post*, Oct. 19, 2015, http://tinyurl.com/hyc5q24.
The head of the Social Security Administration's (SSA) appeals office said the agency plans to redirect more disability applications from judges to attorneys and claims examiners and hire more judges, to reduce application wait times.

Van Berkel, Jessie, "Social Security disability is a lifeline for many in northern Minnesota," *The Star Tribune*, March 13, 2016, http://tinyurl.com/zcx29ag.
About one in 12 residents of some northern Minnesota counties receive federal disability benefits, due in part to a high regional concentration of physically demanding jobs and an aging population.

Fraud

"Woman who cashed dead man's checks for decades faces prison," The Associated Press, May 6, 2016, http://tinyurl.com/hbv9eop.
A 78-year-old Louisiana woman pleaded guilty to theft of government property and faces up to 10 years in prison for collecting more than $200,000 in disability benefits sent to a dead person whose post office box she shared for nearly 30 years.

Dinan, Stephen, "Social Security still paying potentially bogus disability claims 3 years after fraud exposed," *The Washington Times*, April 11, 2016, http://tinyurl.com/hq6b9m8.
The SSA, which three years ago discovered a scam involving 2,200 potentially fraudulent disability cases, has stopped payments in only 300 cases because many may rest upon valid claims, attorneys say.

Jarvis, Rebecca, Michelle Kessel and Lauren Effron, " 'Blind' NY Man Caught Driving, Reading, Committing Disability Fraud," ABC News, May 13, 2016, http://tinyurl.com/goc2cv2.
A federal judge sentenced a 49-year-old New York man to almost five years in prison for committing mail fraud and stealing government property after he was discovered pretending to be blind to collect up to $1.3 million in disability benefits.

Funding

Bernard, Tara Siegel, "Retirees' Futures Hinge on Candidates' Plans for Social Security," *The New York Times*, Oct. 16, 2015, http://tinyurl.com/jqbpvul.
While some Democratic presidential candidates propose raising payroll taxes for high-income workers to boost Social Security funding, Republican candidates support cutting benefits.

Wiles, Russ, "Sorting out Social Security myths, misconceptions," *The Arizona Republic*, May 7, 2016, http://tinyurl.com/z5fqlfv.
The claim that funding for Social Security benefits will disappear for younger generations is false and unproductive when debating Social Security policy reform, says a policy director at a nonpartisan budget-focused think tank.

Privatization

Gibson, Ginger, "Jeb Bush: Next President Should Privatize Social Security," *International Business Times*, June 16, 2015, http://tinyurl.com/qbvr3vt.
Former Republican presidential candidate Jeb Bush said the next president should "try again" to privatize Social Security, which his brother, President George W. Bush, tried to do.

Leys, Tony, "Clinton: Don't let GOP privatize Social Security," *The Des Moines Register*, Nov. 3, 2015, http://tinyurl.com/jzr2peq.
Democratic presidential frontrunner Hillary Clinton warned voters that converting Social Security into a private, investment-based system would hinder Americans' ability to plan their retirements because they would be uncertain about the size of their benefits.

CITING *CQ RESEARCHER*

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA STYLE

Jost, Kenneth. "Remembering 9/11." CQ Researcher 2 Sept. 2011: 701-732.

APA STYLE

Jost, K. (2011, September 2). Remembering 9/11. *CQ Researcher, 9*, 701-732.

CHICAGO STYLE

Jost, Kenneth. "Remembering 9/11." *CQ Researcher*, September 2, 2011, 701-32.

In-depth Reports on Issues in the News

Are you writing a paper?

Need backup for a debate?

Want to become an expert on an issue?

For 90 years, students have turned to *CQ Researcher* for in-depth reporting on issues in the news. Reports on a full range of political and social issues are now available. Following is a selection of recent reports:

Civil Liberties
Privacy and the Internet, 12/15
Intelligence Reform, 5/15
Religion and Law, 11/14

Crime/Law
Decriminalizing Prostitution, 4/16
Restorative Justice, 2/16
The Dark Web, 1/16
Immigrant Detention, 10/15
Fighting Gangs, 10/15
Reforming Juvenile Justice, 9/15
Police Tactics, 12/14

Education
Free Speech on Campus, 5/15
Teaching Critical Thinking, 4/15
Race and Education, 9/14

Environment/Society
Women in Combat, 5/16
Solar Energy Controversies, 4/16
Managing Western Lands, 4/16
Future of the Middle Class, 4/16
Racial Conflict, 1/16
Transgender Issues, 12/15
Air Pollution and Climate Change, 11/15

Health/Safety
Prescription Drug Costs, 5/16
Virtual Reality, 2/16
Vaccine Controversies, 2/16
Fighting Cancer, 1/16
Dietary Supplements, 10/15

Politics/Economy
Arbitrating Disputes, 3/16
U.S.-Iran Relations, 3/16
Unrest in Turkey, 1/16
Robotics and the Economy, 9/15
European Migration Crisis, 7/15

Upcoming Reports

Nanotechnology, 6/10/16
Coal Industry, 6/17/16
United Nations, 6/24/16

ACCESS

CQ Researcher is available in print and online. For access, visit your library or www.cqresearcher.com.

STAY CURRENT

For notice of upcoming *CQ Researcher* reports or to learn more about *CQ Researcher* products, subscribe to the free email newsletters, *CQ Researcher Alert!* and *CQ Researcher News*: http://cqpress.com/newsletters.

PURCHASE

To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available.

SUBSCRIBE

Annual full-service *CQ Researcher* subscriptions—including 44 reports a year, monthly index updates, and a bound volume—start at $1,131. Add $25 for domestic postage.

CQ Researcher Online offers a backfile from 1991 and a number of tools to simplify research. For pricing information, call 800-818-7243 or 805-499-9774 or email librarysales@sagepub.com.