

*Osher Lifelong Learning Institute, Winter 2026*

## **The Economics of Public Policy Issues**

Johns Hopkins University

Host: Geoffrey Woglom, Director  
National Economic Education Delegation



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**Warren Buffet**

**“[Gold] gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.”**



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## Course Schedule

### Contemporary Economic Policy Issues

- Week 1 (2/25): Economic Update & Tariffs Geoffrey Woglom, Amherst College
- Week 2 (3/04): An Introduction to Cryptocurrencies, Geoffrey Woglom
- **Week 3 (3/11): Saving Social Security, Geoffrey Woglom**
- Week 4 (3/18) Economics of Immigration, Robert Gitter, Ohio Wesleyan University
- Week 5 (3/25): Climate Change Economics, Sarah Jacobson, Williams College
- Week 6 (2/27): Health Care Economics, Robert Rebelein, Vassar College

## Submitting Questions

- **Raise your digital hand or submit questions in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website tomorrow**  
**([https://needelegation.org/delivered\\_presentations.php](https://needelegation.org/delivered_presentations.php))**



## Social Security – Hard Choices (?)\*

*Geoffrey Woglom, emeriti Amherst College  
March 11, 2026*



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\* The majority of these slides were written by Jon  
Haveman, Executive Director of NEED, PhD

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## Outline

- **What is Social Security?**
- **How Does Social Security Work?**
- **What is The Trouble with Social Security?**
- **Available Solutions**
- **A Bipartisan Solution**



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# What is Social Security?



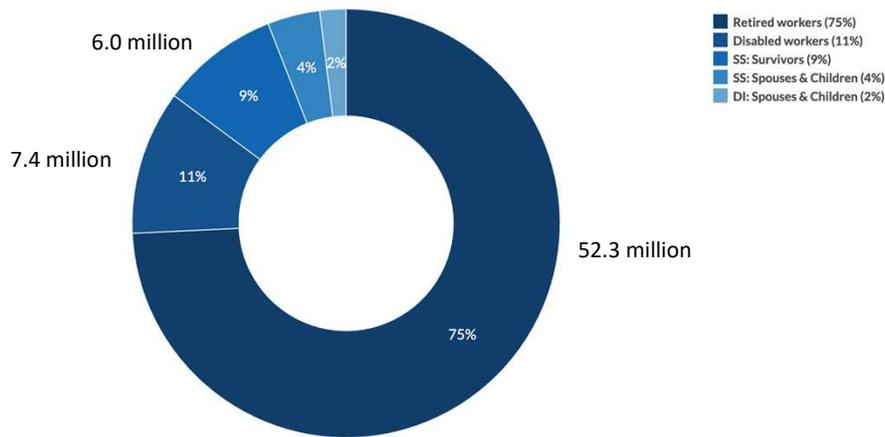
## What is Social Security?

- Social Security is a federal social insurance program that provides financial support to workers and their families.
- Different benefits:
  - **Retirement Benefits:** Social Security provides monthly payments to qualified retirees based on their lifetime earnings.
  - **Disability Benefits:** It provides financial support to individuals who are unable to work due to a disability.
  - **Survivor Benefits:** Social Security offers benefits to the families of deceased workers, including spouses and children.



## Numbers of Different Types of SS Beneficiaries

Total OASDI Beneficiaries in 2023: 67 Million



Source: Social Security Administration • Get the data • Embed • Download image  
Notes: SS is Social Security, DI is Disability Insurance. Totals may not add up to 100% due to rounding.



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## Social Security's Origins

- “Social insurance” as part of the “social safety net”
- Created in 1935 to provide economic security to the nation’s elderly (2 % payroll tax split between employer and employee).
- Expanded in 1939 to include dependent benefits.
  - Benefits to families that have lost a breadwinner.
- First monthly check 1/31/40 to Ida May Fuller of Ludlow Vt.
- Expanded in 1950 to provide support for people with disabilities.
- June 1972 Congress approved a 20 percent increase in benefits and cost-of-living adjustments to start in 1975



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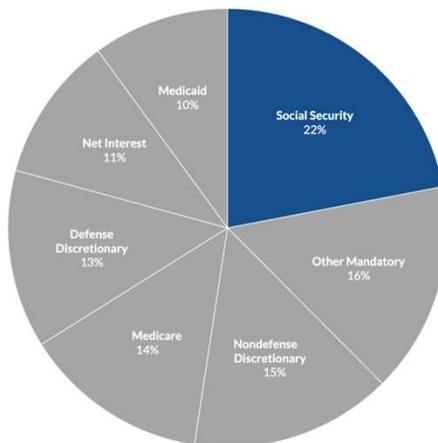
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## Social Security's Origins (cont.)

- 1977 Congress corrects “double-indexing mistake” that threatened SS solvency (first benefit reduction)
- 1983 Greenspan Commission: 50% of benefits of high earners (\$32k) subject to income taxation, gradual increase in normal retirement age, increase in payroll tax rate.
- 1993 85% of benefits subject to income tax for higher earners (\$44k).
- Today, it is the largest federal program. In FY 2025, spending was \$1.58 trillion, or 22.4% of total federal spending.
  - By comparison, national defense was \$917 billion.

## Soc Sec is The Single Largest Gov't Program

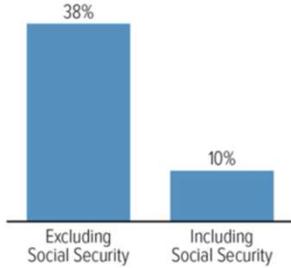
2023 Outlays: \$6.1 Trillion



Source: Office of Management and Budget • Get the data • Embed • Download image  
Note: Outlays for Social Security include non-retirement benefits.

# Soc Sec Significantly Reduces Poverty

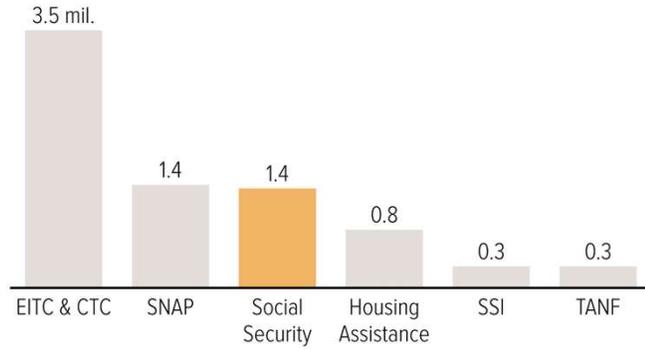
Percentage of adults age 65 or older in poverty, 2024



Note: Individuals in four of the five U.S. Territories — Guam, U.S. Virgin Islands, Northern Mariana Islands, and American Samoa — are not included due to data limitations. This analysis uses the official poverty measure.  
 Source: CBPP analysis of data from the U.S. Census Bureau's March 2025 Current Population Survey and 2024 Puerto Rico Community Survey

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Number of children lifted out of poverty by selected programs in 2022, in millions



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# Is Social Security Good for Just The Beneficiaries?

No, it also benefits broader society. Hence, “social” insurance.



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## Economic Impacts on Individuals and Families

- **Poverty reduction**
  - Good investment for society.
- **Reduces income inequality among the elderly, survivors & disabled**
- **Increases social mobility**
- **Income stability**
  - Helps households plan for the future.
- **Enables older adults to maintain independence**
  - Reduces caregiving burdens on family members.



## How Does it Work?



## The Mechanics of Social Security

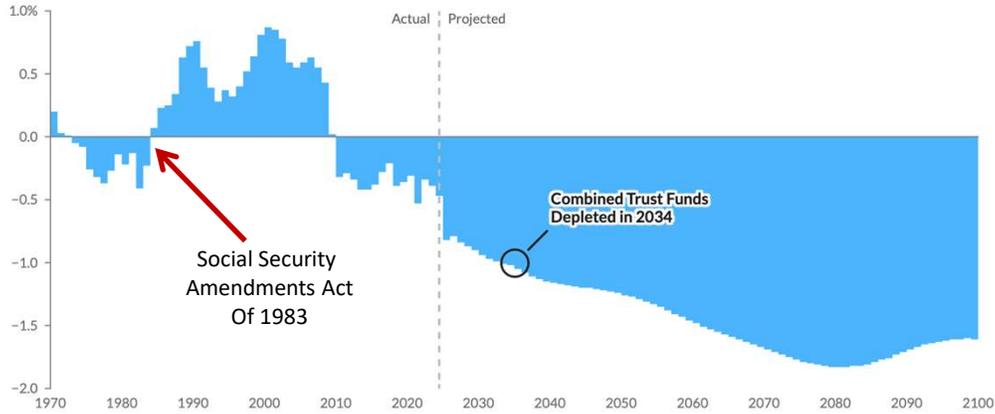
- **“pay-as-you-go” system**
  - Payroll taxes are collected from current workers.
  - These pay for the benefits of the currently retired, or otherwise eligible.
  - Defined benefit plan, as opposed to Defined contribution (e.g., 401K)
- **Taxes**
  - Payroll taxes amount to 12.4% of earnings.
    - Workers pay 6.2% of earnings as payroll taxes.
    - Employers also pay 6.2% of worker’s earnings.
  - **Earnings Cap.** Not all earnings are subject to payroll taxes.
    - In 2026, only the first \$184,500 of earnings are taxed.
    - Earnings above that level are not taxed.

## What if Payroll Taxes Don’t Match Benefits?

- **The Trust Fund**
  - If revenues exceed benefits, the surplus is placed in a trust fund.
  - If benefits exceed revenues, the deficit is taken out of the trust fund.
  - The funds in the trust are invested in **non**marketable U.S. Treasuries.
    - So, really just bookkeeping, but major political implications.
- **But surpluses (deficits) lower (raise) the overall deficit**
- **When did the Trust Fund start?**
  - The OASI Trust Fund was created in 1939. (Old Age & Survivors Ins)
  - The Disability Trust Fund was created in 1956.

# Annual Contributions to the Fund Vary

Social Security Surpluses/Deficits (% of GDP)



Source: Social Security Administration • Embed • Download image

Notes: Surplus/deficit numbers exclude interest income. The Social Security trust funds are combined on a hypothetical basis, but actually operate separately. The Old-Age & Survivors Insurance Trust Fund is projected to be depleted in 2033 and lead to a 23 percent cut in benefits that year; the Disability Insurance Trust Fund is not projected to become depleted during the 75-year period ending in 2099.

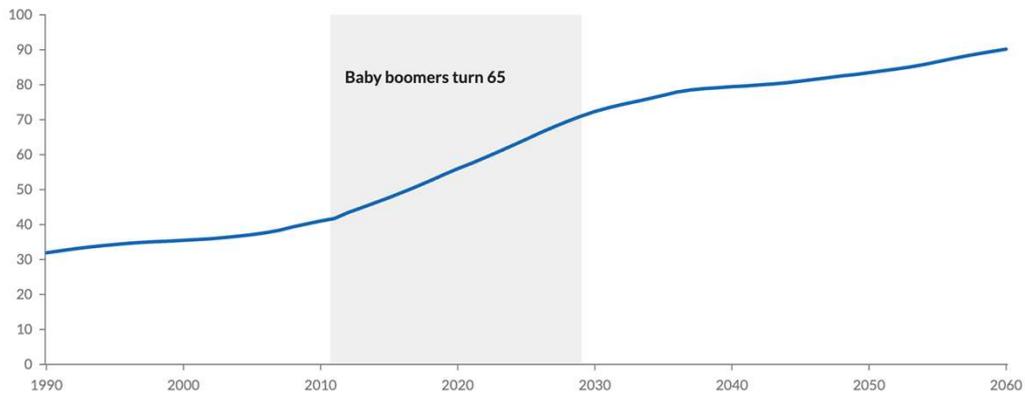


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# Why the Change in Direction? Aging Population

Number of People Age 65 and Older (Millions)



Source: Social Security Administration • Get the data • Embed • Download image

Note: The highlighted range represents the period during which the Baby Boomer generation turns age 65.

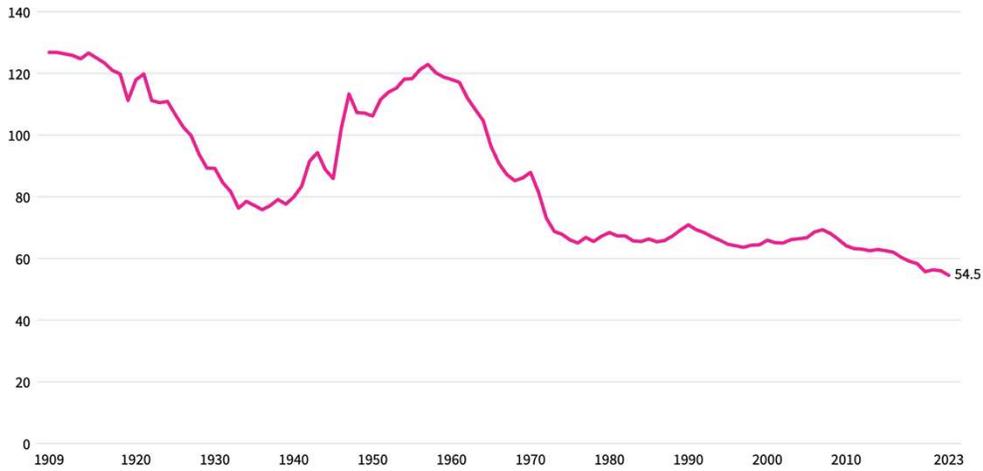


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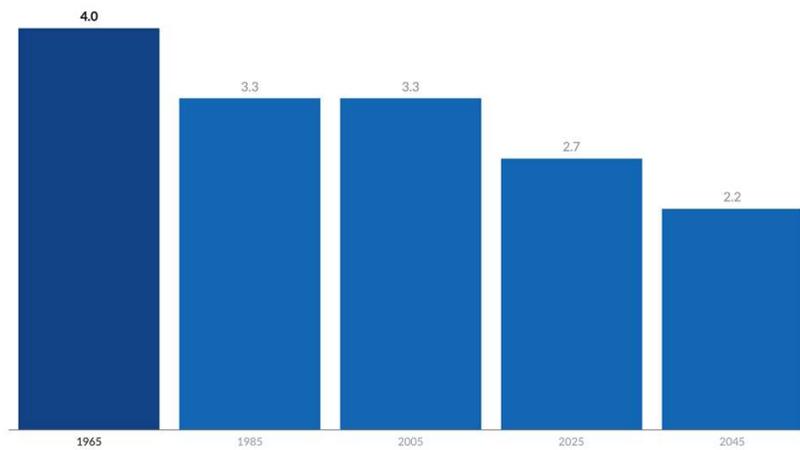
# Lower Births = Slower Labor Force Growth

Number of births per 1,000 women ages 15-44, 1909-2023

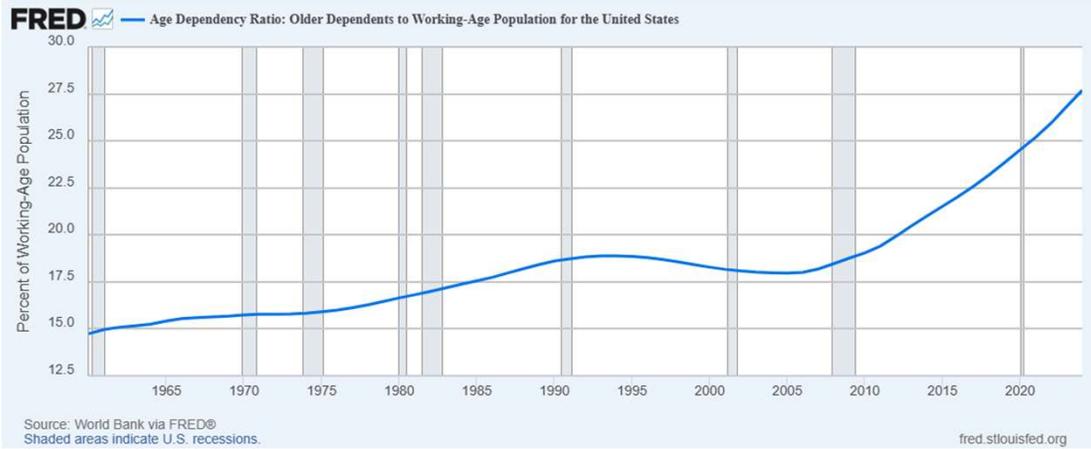


# Number of Covered Workers per Beneficiary

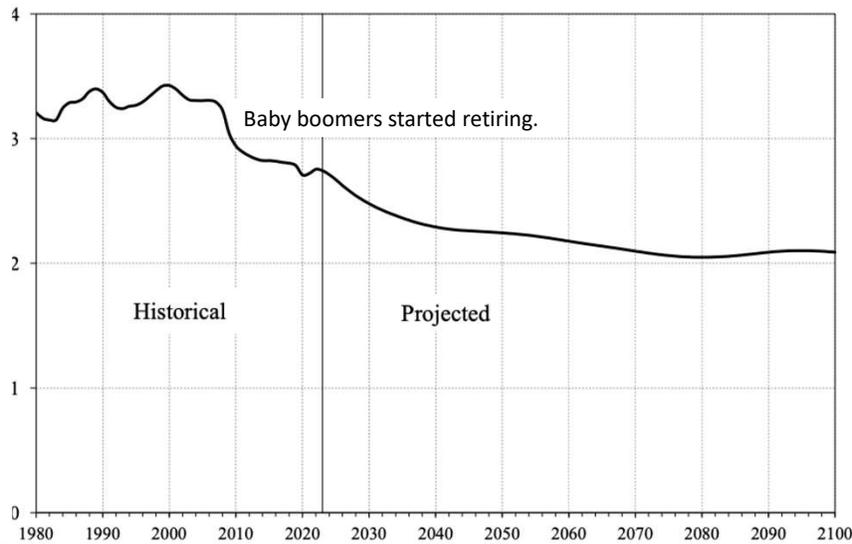
Workers per Beneficiary Ratio

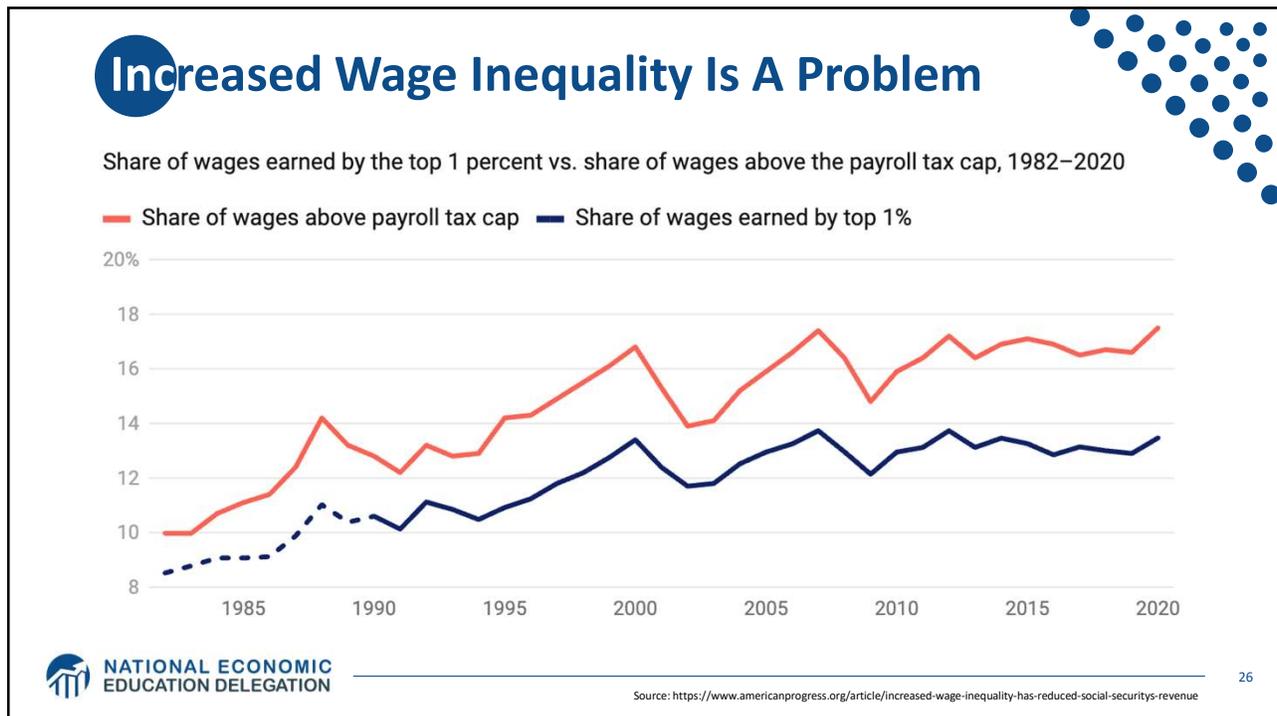
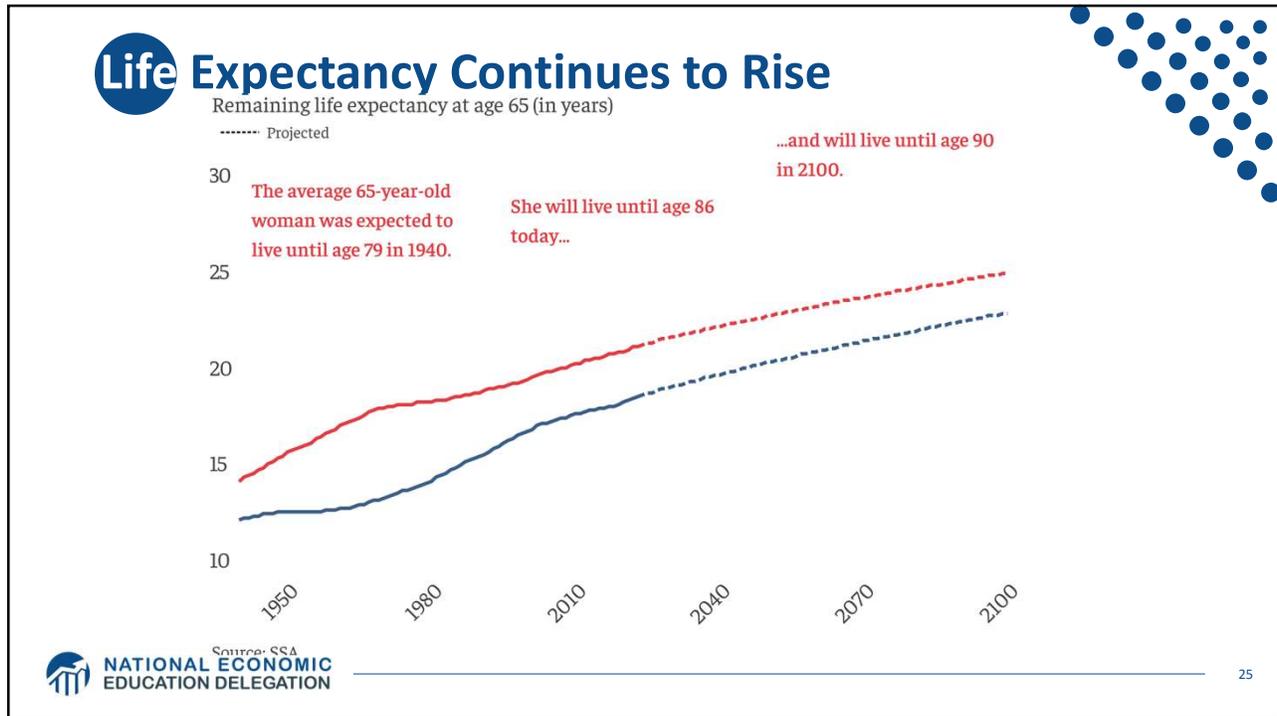


# Declining



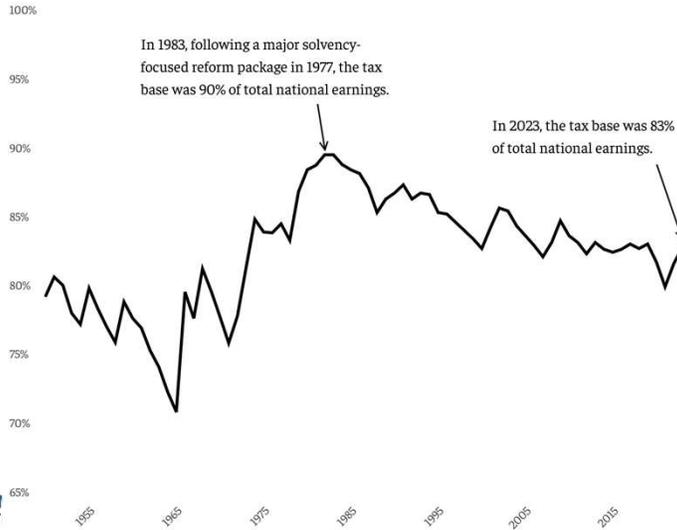
# Number of Covered Workers per Beneficiary





# Tax Base is Falling

Taxable earnings as a percentage of total earnings  
Note: Y-axis does not start at 0.

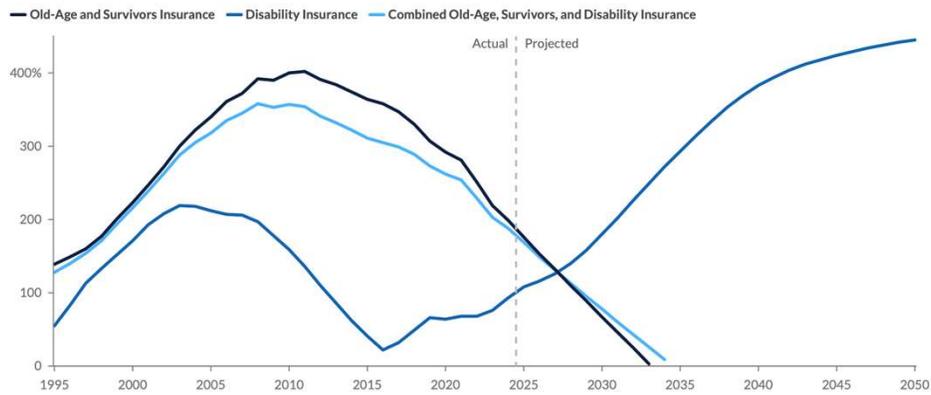


Source: SSA

# Trajectory of Funds

## Social Security's retirement fund will be depleted in eight years

Asset Reserves at the Beginning of Calendar Year (% of Annual Cost)



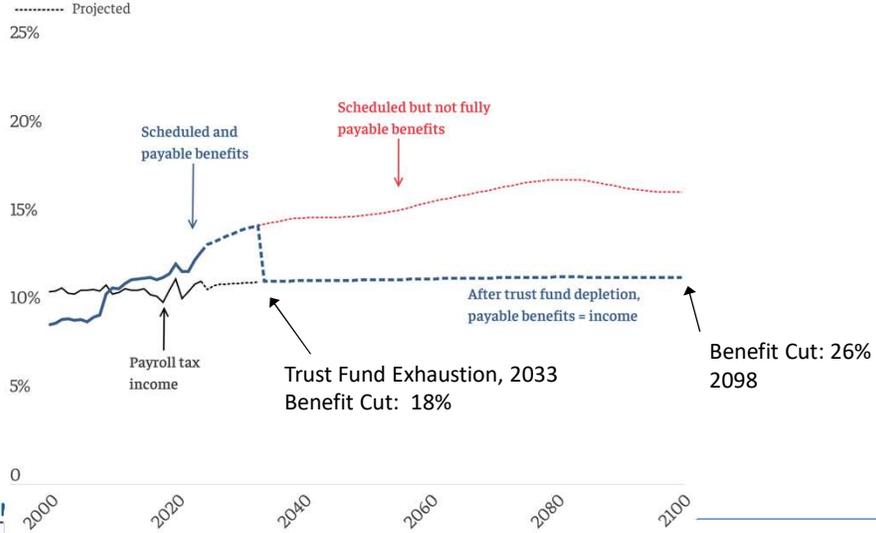
Source: Social Security Administration • Embed • Download image

Note: Under law, a trust fund cannot incur a negative balance. The OASI Trust Fund will be depleted in 2033 while the DI Trust Fund will not be depleted within the 75-year long-range projection period. Combined, the trust funds would be depleted in 2034.



# What Happens When The Trust Fund Runs Out?

Old-Age and Survivors Insurance program\* income, cost, and expenditures as a percentage of taxable payroll



# Present Value of Benefit Cuts by Cohorts

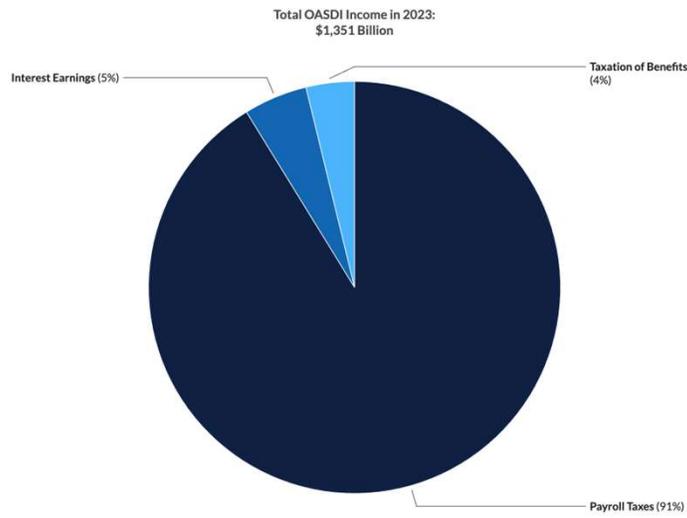
- **Two Earner, High Income (\$105K average lifetime earnings) Couple Collecting Benefits Starting in 2014 at age 65: 4% reduction in PV of benefits.**
- **Same Couple Starting Benefits in 2038 21% reduction in PV of benefits**

**Why: 2014 couple will have already received 19 years of scheduled benefits!**

# Where Does the Money Come From?

- Payroll taxes
- Taxes on benefits
- Interest earnings
- Trust funds

# Sources of SS Revenue



# Where Does The Money Go?



## Where Does The Money Go?

- Different benefits:
  - Retirement Benefits
  - Disability Benefits
  - Survivor Benefits
- We will focus on retirement benefits.



## What Determines my SS Benefit (PIA)?

(Primary Insurance Amount)

- **Your work history.**
  - You need 40 work credits to qualify.
  - In 2025, 1 credit = \$1,810 in earnings.
  - Put another way: 10 years with social security earnings in each year of \$21,720.
- **Your (capped) earnings history.**
  - Indexed (to wages) earnings from the 35 highest-earning years.
- **Your birth year.**
  - Determines your FRA – Full Retirement Age.
  - Born before 1960, it is 66-67, after 1960, it is 67.
- **Your claiming age.**
  - Claiming at 62 instead of 67 reduces your benefit by 30%.
  - Higher if you wait until 70.
  - Increases approximately 8% each year that you wait.



## What Determines my SS Payment Size (PIA)?

(Primary Insurance Amount – PIA)  
(Adjusted Indexed Monthly Earnings - AIME)

### Earnings History

- AIME is calculated using your 35 highest years of indexed earnings.
- These earnings are then adjusted for wage inflation.
- The AIME is used to determine your PIA, which is the amount you would receive if you start receiving benefits at your full retirement age.

### Age at Which You Start Receiving SS

- You can start receiving benefits as early as age 62, but your monthly payment will be reduced if you choose to start before your full retirement age.
- Waiting to start benefits until after your full retirement age (between 66 and 67, depending on your year of birth) will increase your monthly payment.
- You receive the highest possible annual benefit by waiting until age 70.

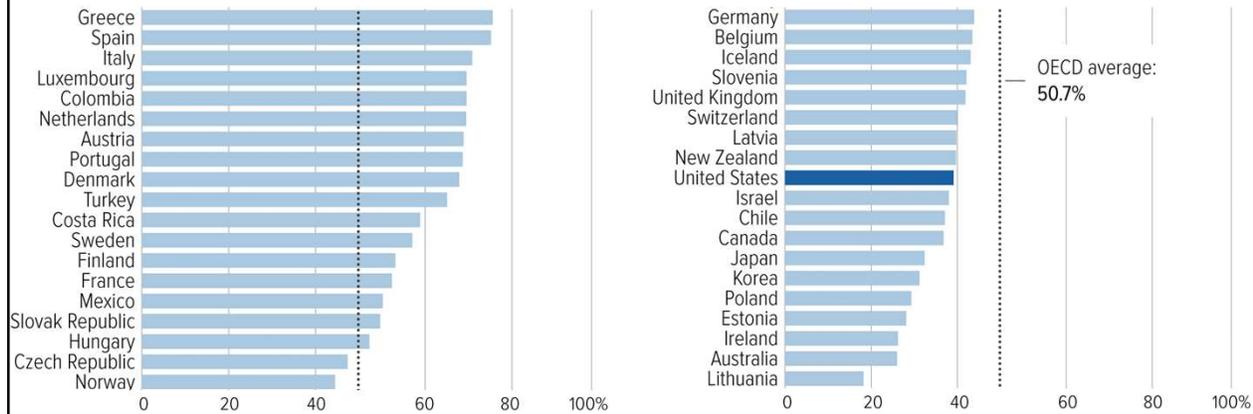


## How Big are Payments?

- **In 2026:**
  - the average payment is \$2,075.
  - Maximum if claim at age 62 is \$2,969.
  - Maximum if claim at age 70 is \$5,181.
- **Special minimum Social Security benefit:**
  - For long-term, low-wage workers.
  - Minimum for 11 years of work: \$53.50
  - Maximum for 30 years of work: \$1,123.70

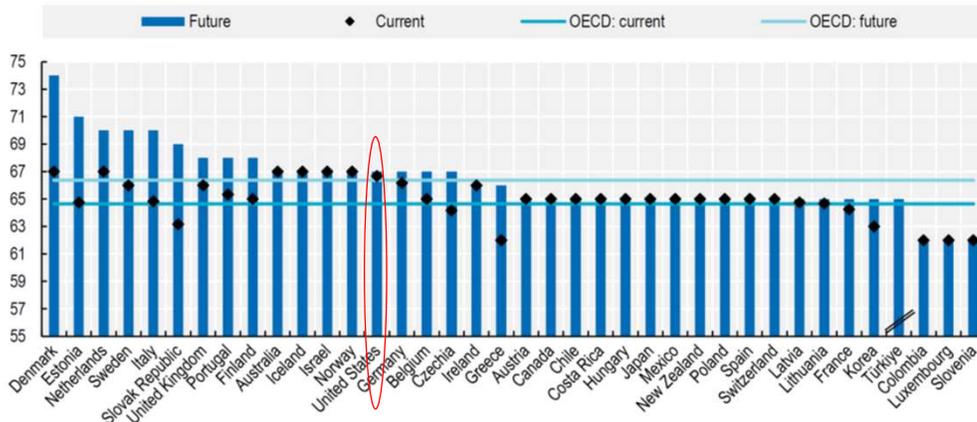
## Social Security Benefits are Comparatively Low

Social Security benefits for average worker as a percentage of earnings



# Normal Retirement Ages in the OECD

Normal retirement age for men entering the labour market at age 22 with a full career



From 2025 to 2040 China's normal retirement age for men will rise from 60 to 63; for women 55 to 58. Japan and Korea transitioning to 65.

# Social Security Benefits Can Be Subject to income Tax

- **“Combined Income (CB):”** one half SS benefit plus all other income
- **Single:**
  - CB Up to \$25K: no tax
  - CB \$25K to \$34K Up to 50% of benefit is included in taxable income
  - CB More than \$34K Up to 85% of benefit is included in taxable income.
- **Married Filing Jointly:**
  - CB Up to \$32K: no tax
  - CB \$25K to \$44K Up to 50% of benefit is included in taxable income
  - CB More than \$44K Up to 85% of benefit is included in taxable income.

**Remember 4% of SS Revenue is from Income Taxes on Benefits.**

**Also, these income levels are *NOT* indexed to inflation**

# Remember: We Have A Problem

## “But, I earned my Social Security!”

Maybe...

Notice the progressivity of benefits; a feature not a flaw.

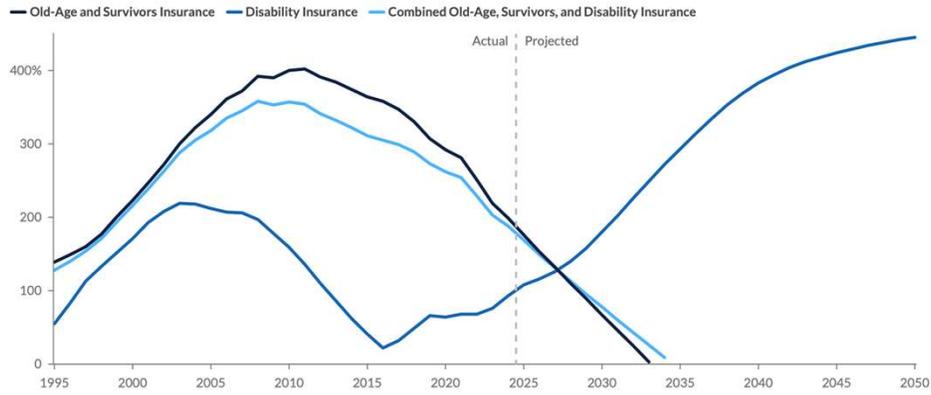
Money’s Worth Ratios for Hypothetical Workers born in 1949; retired in 2014  
(Scheduled or Promised Benefits)

Earnings Level	AIME	Single Man	Single Woman	One-Earner Couple	Two-earner couple
Very Low	\$16,556	1.50	1.93	3.50	1.95
Low	\$29,800	1.13	1.38	2.38	1.37
Medium	\$66,223	0.82	0.98	1.64	0.95
High	\$105,957	0.79	0.82	1.33	0.79
Maximum	\$163,970	0.62	0.69	1.12	0.69

# Trust Finds Are Running Out

## Social Security's retirement fund will be depleted in eight years

Asset Reserves at the Beginning of Calendar Year (% of Annual Cost)



Source: Social Security Administration • Embed • Download image

Note: Under law, a trust fund cannot incur a negative balance. The OASI Trust Fund will be depleted in 2033 while the DI Trust Fund will not be depleted within the 75-year long-range projection period. Combined, the trust funds would be depleted in 2034.

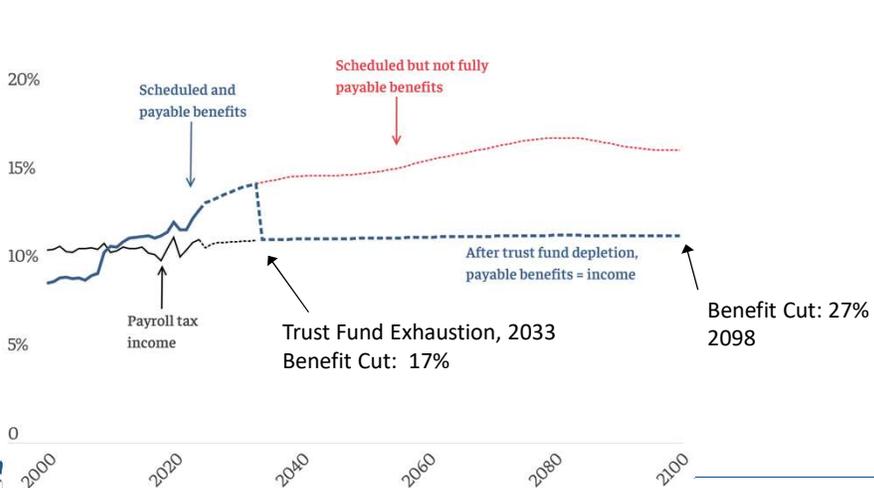


Source: <https://www.pgpf.org/article/social-security-faces-serious-financial-shortfalls-and-other-takeaways-from-the-trustees-report/>

# At Which Point, Benefits exceed Revenue

Old-Age and Survivors Insurance program\* income, cost, and expenditures as a percentage of taxable payroll

..... Projected



Source: SSA

# Hard Choices (?)

## Let's Cut to the Chase...

- Solving the social security problem is simple:

**More revenues and/or  
Reduced benefits**

- Why won't this happen?

**Politics!**

## My Personal Opinion: Disingenuous

Scott Bessent, Treasury Secretary at his confirmation hearings:  
"These entitlements are massive. I think the next four years isn't the time to deal with them, that we've got to deal with the discretionary portion of the budget...then the next step is for a future administration to have the confidence to be able to deal with entitlements"

Total Federal Spending last fiscal \$7 trillion: 60% Mandatory (mostly Social Security and Medicare); 27% was discretionary, and 14% was interest on the debt.



## So, Let's Consider Some Other Choices

- **Changes to revenues**
- **Changes to benefits**



# The Following Simulations Brought to you by:


ISSUE AREAS > OUR WORK >

## The Reformer

*An Interactive Tool to Fix Social Security*

Social Security provides vital income security to millions of beneficiaries, but it is on a road toward insolvency. The Social Security **retirement program is projected to run out of reserves by 2033, or by 2035 if combined with the disability program.** Upon insolvency of the theoretically combined trust funds, all beneficiaries regardless of age and income will face an immediate 17 percent benefit cut, growing to 28 percent by 2073.

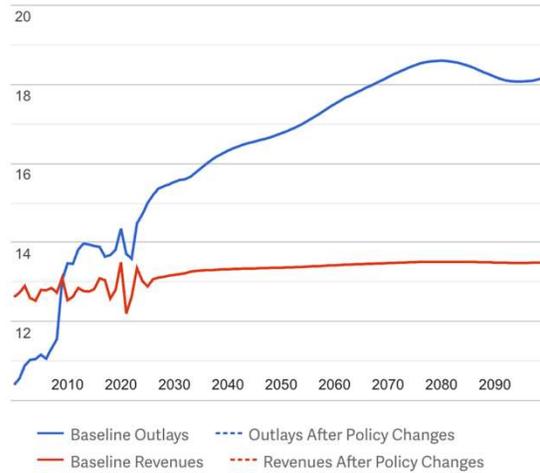
"The Reformer" allows users to build their own plan to restore solvency. See how your choices stack up!

<https://www.crfb.org/socialsecurityreformer/>

# Possible Changes to Revenues

	% OF GAP CLOSED
Increase (+) / Reduce (-) Payroll Tax Rate by:	0%
<input type="text" value="0.0"/> %	
<b>■ Increase Taxable Maximum</b>	
● Subject All Wages to Payroll Tax	56%
● Subject 90% of Wages to Payroll Tax	25%
● Tax All Wages Above \$400,000	67%
<b>Raise Additional Revenue</b>	
■ Cover Newly-Hired State & Local Workers	5%
■ Apply the Payroll Tax to "Cafeteria Plans"	10%
■ Increase Taxation of Benefits	6%

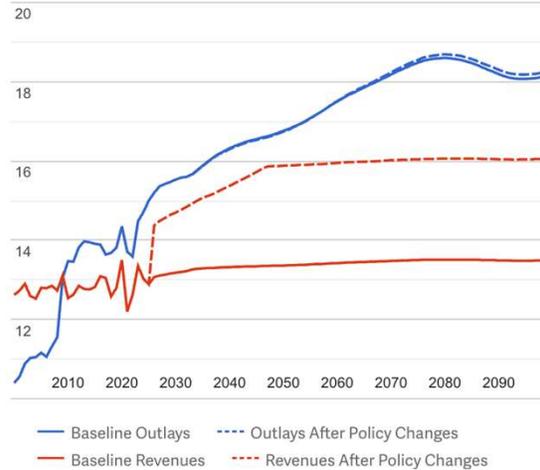
**Percent of Payroll (based on scheduled benefits)** ⓘ



# Possible Changes to Revenues: Example

% OF GAP CLOSED	
Increase (+) / Reduce (-) Payroll Tax Rate by:	0%
<input type="text" value="0.0"/> %	
<b>✓ Increase Taxable Maximum</b>	
● Subject All Wages to Payroll Tax	56%
● Subject 90% of Wages to Payroll Tax	25%
<input checked="" type="radio"/> Tax All Wages Above \$400,000	67%
<b>Raise Additional Revenue</b>	
<input type="checkbox"/> Cover Newly-Hired State & Local Workers	5%
<input type="checkbox"/> Apply the Payroll Tax to "Cafeteria Plans"	10%
<input type="checkbox"/> Increase Taxation of Benefits	6%

Percent of Payroll (based on scheduled benefits) **i**



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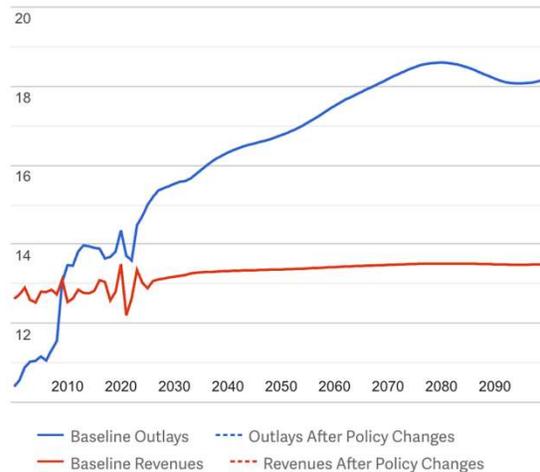
Source: <https://www.crfb.org/socialsecurityreformer/>

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# Possible Changes to Benefits

% OF GAP CLOSED	
Increase (+) / Reduce (-) Initial Benefits by:	0%
<input type="text" value="0.0"/> %	
<b>■ Slow Initial Benefit Growth</b>	
● Slow Benefit Growth for Top 70% of Earners	60%
● Slow Benefit Growth for Top Half of Earners	36%
● Slow Benefit Growth for Top 20% Of Earners	11%
<b>■ Increase Retirement Age</b>	
● Raise Age from 67 to 68	13%
● Index Age to Longevity After it Reaches 67	20%
● Raise Age to 69 then index to Longevity	39%

Percent of Payroll (based on scheduled benefits) **i**



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Source: <https://www.crfb.org/socialsecurityreformer/>

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# Possible Changes to Benefits: Example

% OF GAP CLOSED

Increase (+) / Reduce (-) Initial Benefits by: 0%

%

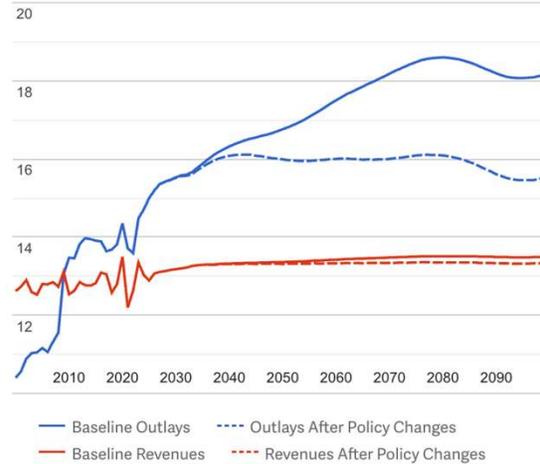
Slow Initial Benefit Growth

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Increase Retirement Age

- Raise Age from 67 to 68 13%
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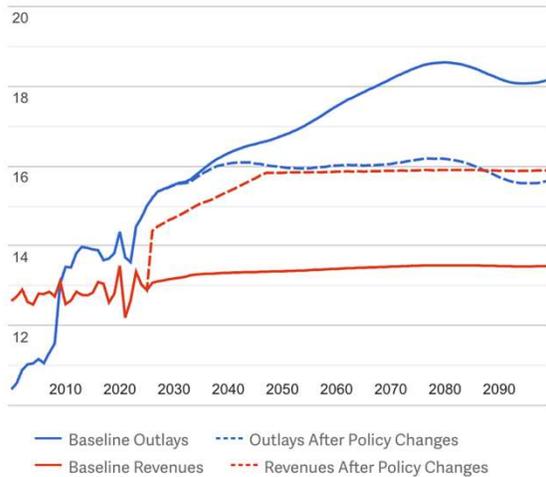
Percent of Payroll (based on scheduled benefits) **i**



Source: <https://www.crfb.org/socialsecurityreformer/>

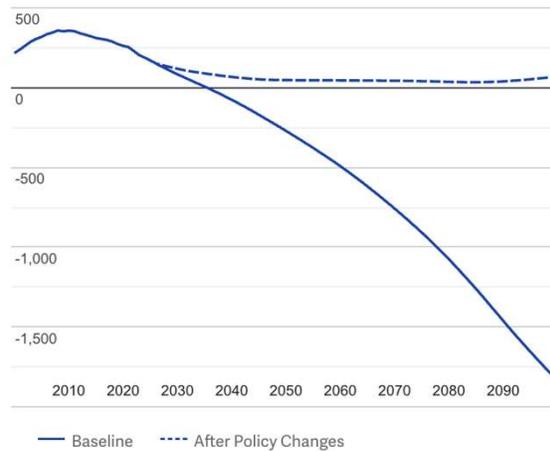
# Suppose We Do Both! Problem Solved

Percent of Payroll (based on scheduled benefits) **i**



Trust Fund Projections

Percent of Annual Benefits **i**



Source: <https://www.crfb.org/socialsecurityreformer/>

## Some Additional Thoughts on Options

- **COLAs – cost of living adjustments**
  - Merely another way of reducing benefits
- **Raising the retirement age**
- **Investing in the stock market**

## Raising the Retirement Age

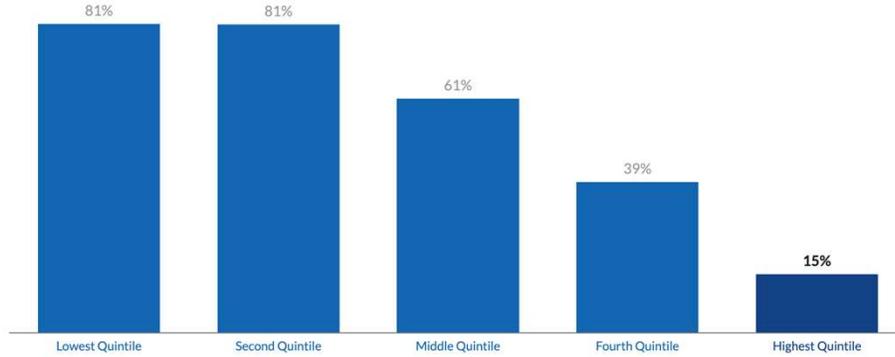
■ Increase Retirement Age	
● Raise Age from 67 to 68	13%
● Index Age to Longevity After it Reaches 67	20%
● Raise Age to 69 then index to Longevity	39%

- **Very regressive.**
  - Larger tax on low-income workers than high income workers.

## Program is VERY Important for Low-Income Retirees

Low-income seniors rely on Social Security benefits for a major share of their retirement income

Social Security Benefits (% of Total Income)



Source: Social Security Administration • Get the data • Embed • Download image

Note: A quintile is one-fifth of the population. The lowest quintile's income range is under \$13,499, the second quintile's is \$13,499-\$23,592, the middle quintile's is \$23,592-\$39,298, the fourth quintile's is \$39,298-\$72,129, and the highest quintile's is over \$72,129. Data are for 2014.



Source: <https://www.pgpf.org/article/9-facts-about-social-security-and-the-need-to-strengthen-it/>

## Raising the Retirement Age

Sex	Income Category	Life Expectancy (Years)	Difference High vs Low
Women	Highest Incomes (top 1%)	88.9	10.1 years
	Lowest Incomes (bottom 1%)	78.8	
Men	Highest Incomes (top 1%)	87.3	14.6 years
	Lowest Incomes (bottom 1%)	72.7	



## Investing in the Stock Market

<ul style="list-style-type: none"> <li>■ Invest in the Stock Market           <ul style="list-style-type: none"> <li>● Diversify the Trust Fund to Increase Returns 6%</li> <li>● Divert 2% of Payroll Tax to "Carve-Out" Accounts -1%</li> <li>● Allow Contributions into "Add-on" Accounts 0%</li> </ul> </li> </ul>
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1. **Doesn't do much to solve the problem.**
2. **Concerns with government investing in the stock market.**
3. **Logistics of allowing individuals to customize are enormous.**
  1. And subject to political influence.
4. **May increase the fragility of the system.**



## Other Solution? Tax More Than Just Earnings

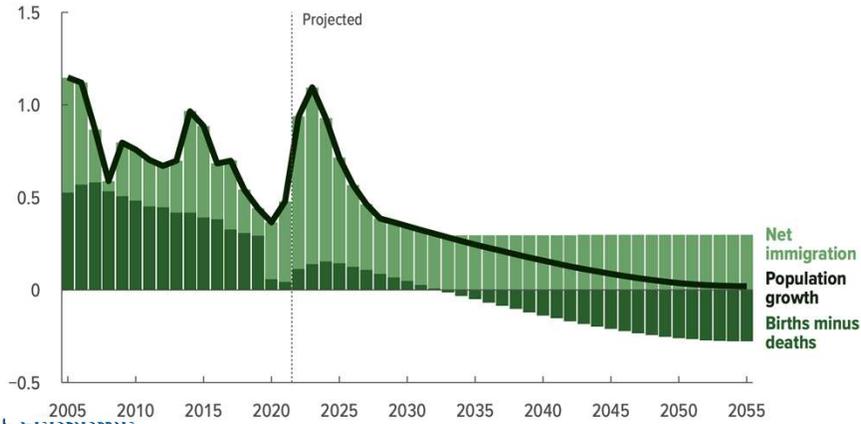
- **Social Security is funded through payroll taxes.**
- **Broadening the base would increase programmatic revenues.**
- **Other sources of income: capital gains.**
- **Social security is an economic security program.**
  - Yet its revenue source is earnings.
  - Is income a better indication of economic security?



# Another Solution?

- Increase legal immigration of prime working age.

Population Growth and Contributing Factors  
Percent



Source: <https://www.cbo.gov/system/files/2025-01/60875-demographic-outlook.pdf>

# Immigrants to the Rescue?

Employed Population by Nativity



Source: Bureau of Labor Statistics. Gray shading indicates recession.  
Graph by: National Economic Education Delegation ([www.NEEDEcon.org](http://www.NEEDEcon.org))

## Brookings Principles for a Solution

### Principles:

1. **Bipartisan which means benefit cuts and tax increases.**
2. **Solvency (increase revenues and lower benefits by 3.58 % of taxable payrolls. Eliminate the “GAP”)**
3. **No benefit reduction for current recipients (?)**
4. **No general fund financing (“this link between wages and benefits has been a central principle... and a foundation of it political support)**
5. **Improve Progressivity.**
6. **Universal participation (“social” insurance)**



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<https://www.brookings.edu/articles/fixing-social-security-blueprint-for-a-bipartisan-solution/>

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## 5 Biggest “Revenue Enhancements”

1. **Devote all proceeds from taxes on benefits to OASDI (0.87%)**
2. **Increase the taxable maximum ceiling so 90% of wages are subject to the payroll tax (0.66%)**
3. **Expand the labor force by increasing legal immigration (0.30%)**
4. **Increase payroll tax to 12.6% (0.19%)**
5. **Change the rules on pass-through self employment tax (0.19%)**

**Total from revenue enhancement: 2.21%**



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## 4 Biggest Benefit Reductions

1. Increase retirement age for **high earners** (0.55)%
2. Increase number of working years to 40 for calculating benefits (0.39%)
3. Subject 100% of high earners benefits to the income tax (0.17%)
4. End the dependent retiree spouse benefit (0.17%)

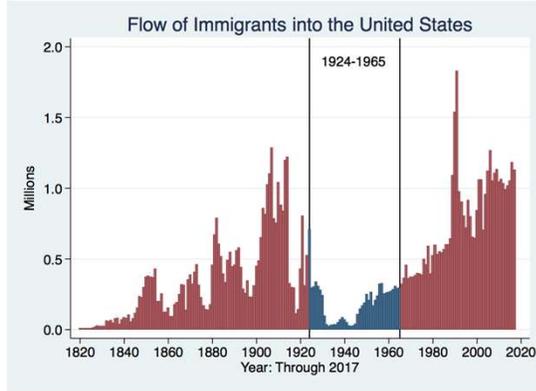
Total from benefit reduction 1.28%

Added Benefit: Reduces the Budget Deficit by \$2,291 billion over 10 years

## Summary

- **Social Security is an important part of the social safety net.**
- **The OASDI Trust Fund is likely to be exhausted in 2034.**
- **Why are the funds being depleted?**
  - An aging population – fewer paying in and more taking out.
  - Declining birth rates - slowing the growth of the labor force.
  - Wage inequality – more and more wages are above the wage cap.
- **What happens when the funds are depleted?**
  - Benefits may have to be reduced by 17%.
  - The system will continue!
- **Solutions abound. The problem is political will.**
  - The needed changes will be unpopular, but they are very manageable.
- **Should our generation contribute more to the solution?**

# U.S. Immigration 1924-1965



Source Country	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

<https://www.libertyellisfoundation.org/immigration-timeline>

## Let's Hear from You!

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