

Osher Lifelong Learning Institute, Summer 2026

Contemporary Economic Policy Issues

OLLI – Dominican University, San Rafael
July, 2026

Host: Jon Haveman
National Economic Education Delegation



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Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Saving Social Security
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics



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Course Outline

- **Contemporary Economic Policy**

- Week 1 (7/8): US Economic Update
- Week 2 (7/15): The Economics of Immigration
- **Week 3 (7/22): Saving Social Security (Geof Woglom, Amherst College)**
- Week 4 (7/29): Tariff Economics (Jon Haveman, NEED)

Submitting Questions

- Submit questions in the chat I will try to handle them as they come up.
- We will do a verbal Q&A after the material has been presented.
- 10:50: 5 minute break
- Slides are available on the NEED website,
(https://needelegation.org/delivered_presentations.php)
- More Information about Social Security is on my website,
(<https://sites.google.com/view/macro-current-issues/social-security>)



Saving Social Security

Geoffrey Woglom, emeritus Amherst College
July 22, 2026



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Outline

- What is Social Security?
- What is The Trouble with Social Security?
- A Closer Look at Social Security Benefits.
- Principles for Saving Social Security.
- A Bipartisan Solution.



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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.



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Social Security's History

- “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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Social Security's History (cont.)

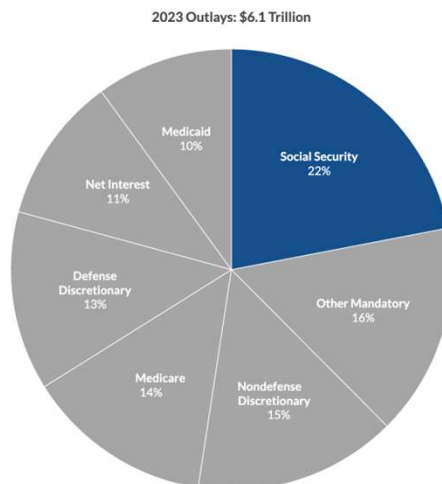
- 1977 Congress corrects “double-indexing mistake” that threatened SS solvency (first benefit reduction)
- 1983 Greenspan Commission: up to 50% of benefits of high earners subject to income taxation, gradual increase in normal retirement age, increase in payroll tax rate.
- 1993 85% of benefits subject to income tax for higher earners.
- 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.



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Soc Sec is The Single Largest Gov't Program



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



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

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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.
- **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.

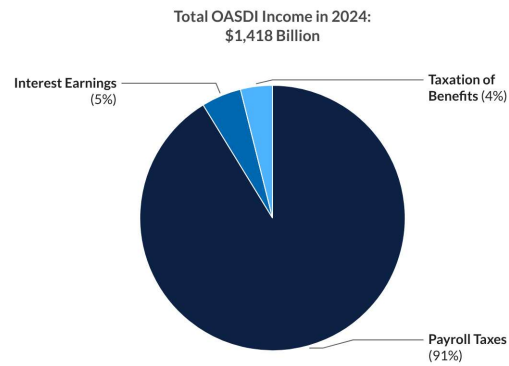
In Addition Income Taxes on Benefits

- **“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, but extra 35% goes to Medicare.
- **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, but extra 35% goes to Medicare.

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

Sources of SS Revenue

Most OASDI income comes from payroll taxes



Source: Social Security Administration

Note: General Fund Credits account for 0.01% of total OASDI income and, therefore, are not shown above.



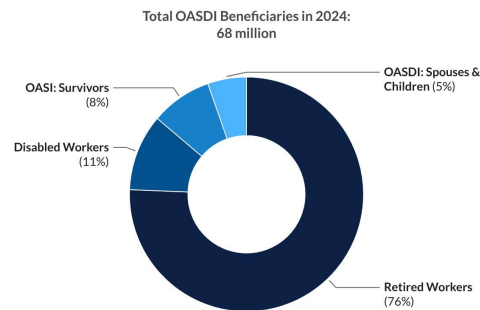
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Where Does the Money Go

Retired workers make up the majority of Social Security beneficiaries



Source: Social Security Administration

Notes: OASI is Old-Age and Survivors Insurance, and OASDI is the two combined. OASI and DI beneficiaries are not mutually exclusive.



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What is the Trouble Social Security?



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What if Payroll Taxes Don't Match Benefits?

- **The Trust Fund**

- If revenues exceed benefits, the trust fund is credited with **nonmarketable** government securities by the amount of the surplus.
- If benefits exceed revenues, the trust fund redeems **nonmarketable** securities by the amount of the deficit.
- Really just one branch of government lending to another
- **The existence of the trust fund has no economic significance:** The amount the government must borrow depends on total federal spending (including Social Security) less total tax revenue (including Social Security taxes).

- **But the existence or lack thereof has enormous political significance:** If the Trust fund is exhausted, Social Security benefits by current law are limited to Social Security income.



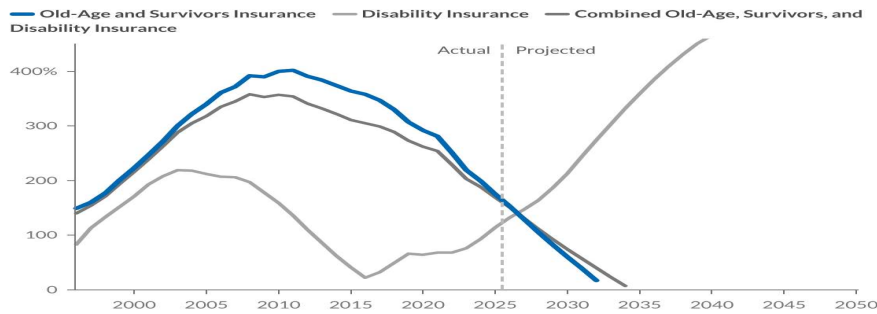
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Trajectory of Funds

Social Security's retirement fund will be depleted in six years

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



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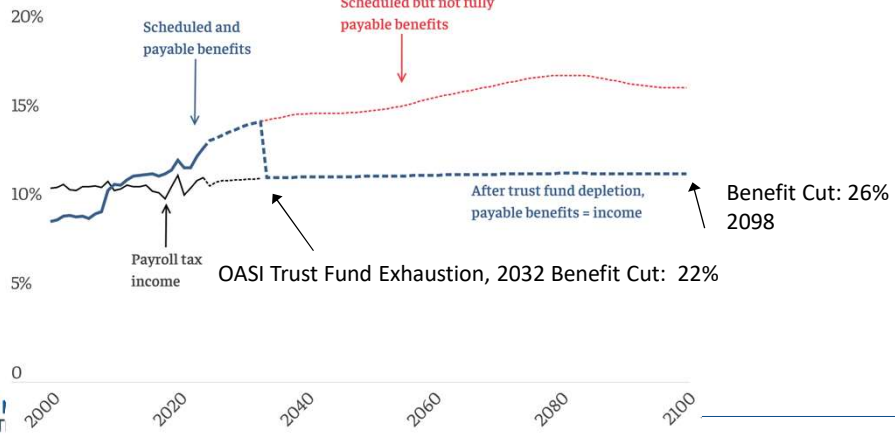
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What Happens When The Trust Fund Runs Out?

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

..... Projected

25%

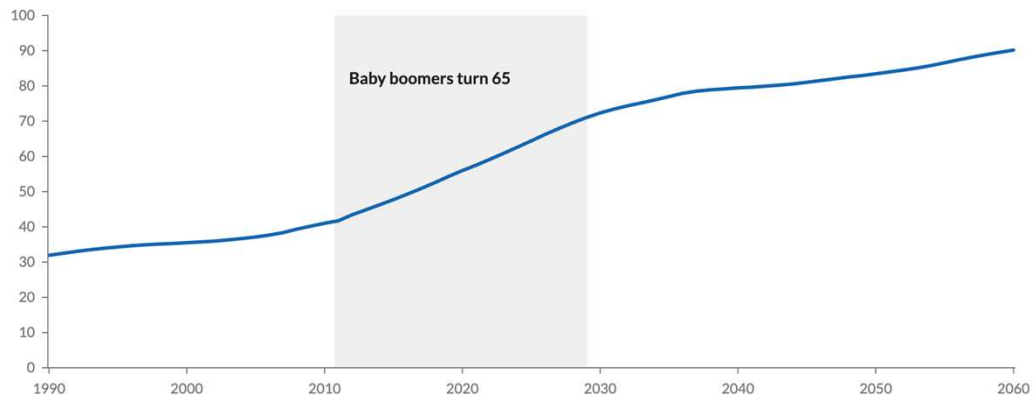


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Why Are Costs Rising Rapidly? Aging Population

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.

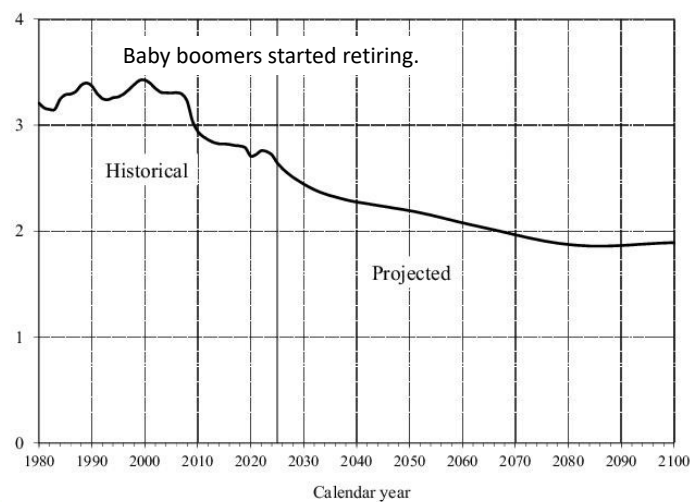


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Source: <https://www.pgpf.org/article/how-does-social-security-work/>

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Number of Covered Workers per Beneficiary



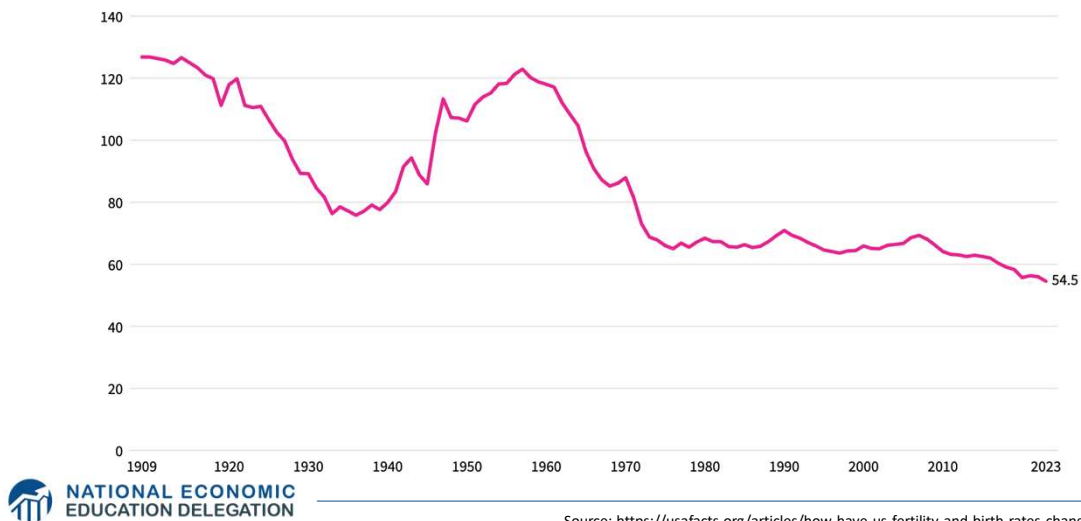
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Source: <https://www.ssa.gov/OACT/TR/2024/tr2024.pdf>

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Lower Births = Slower Labor Force Growth

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

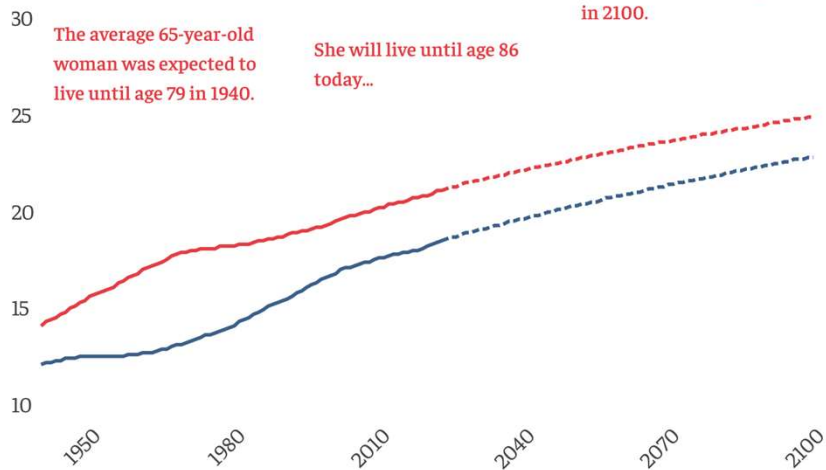


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Life Expectancy Continues to Rise

Remaining life expectancy at age 65 (in years)

----- Projected



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But Why Did the Depletion Date Move Up 1 Year in 2026?

TABLE 3. CHANGES FROM 2025 TO 2026 THAT REDUCE SOCIAL SECURITY'S 75-YEAR ACTUARIAL BALANCE

Item	Effect as a percentage of taxable payrolls
Fertility assumption and data	-0.35%
Immigration assumption and data	-0.18
Legislation (OBBBA)	-0.16
Valuation period	-0.07
Methodology	-0.05
Total	-0.81%

Source: 2026 Social Security Trustees Report.

These numbers reflect the deterioration of OASDI finances in the last year.

Note Items 1, 4 & 5 are not policy related.

Items 2 & 3 are policy related, and contribute 42 percent ($\approx .34/.81$) to the deterioration.



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<https://crr.bc.edu/social-securitys-financial-outlook-the-2026-update-in-perspective/>

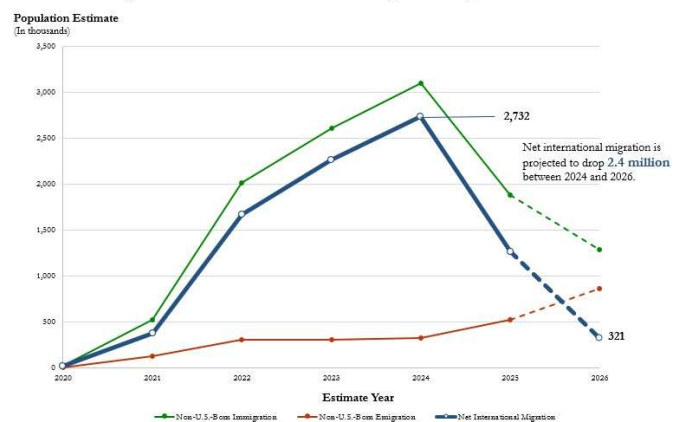
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Policy Changes

One Big Beautiful Bill: Income Tax Rates were reduced, so that the tax on Social Security benefits also fell.

In addition, the extra standard deduction of \$12,000 for 65+, married filing jointly further reduced taxes collected on Social Security benefits.

Figure 1. Estimates of Net International Migration Components: 2020 to 2026

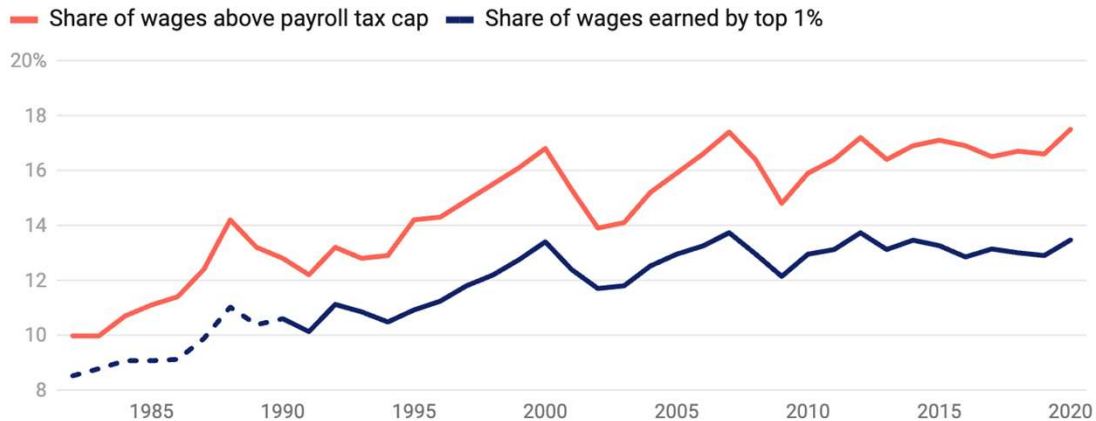


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Increased Wage Inequality Is A Problem

Share of wages earned by the top 1 percent vs. share of wages above the payroll tax cap, 1982–2020



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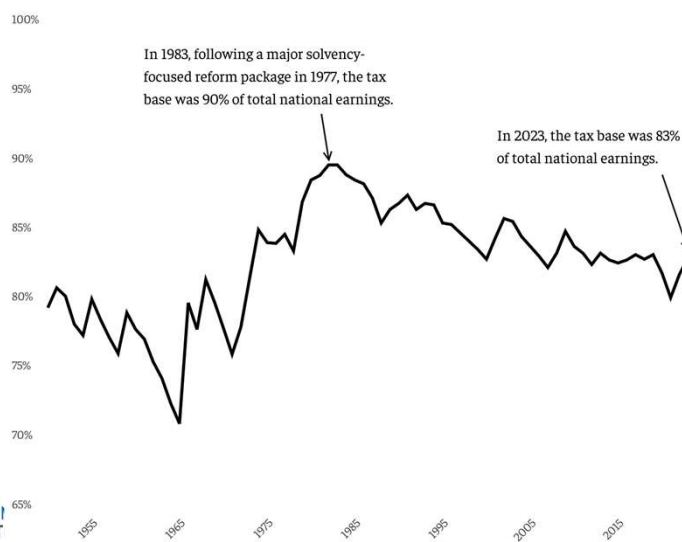
Source: <https://www.americanprogress.org/article/increased-wage-inequality-has-reduced-social-securitys-revenue>

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Tax Base is Falling

Taxable earnings as a percentage of total earnings

Note: Y-axis does not start at 0.



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Source: SSA

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A Closer Look at Retirement Benefits?



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Benefits are Based on Your Primary Insurance Amount (PIA)

PIA which depends on:

- **Your work history.**

- You need 40 quarters of work credits to qualify.
- Put another way: 10 years with Social Security earnings in each year of \$21,720.

- **Your (capped) average income (AIME).**

- Indexed (to wages) earnings from the 35 highest-earning years.

- **Income Cap (\$184,500 in 2026) two roles:**

1. Remember earnings above the cap are not taxed.
2. But, earnings above the cap do not affect individuals' average SS Income



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PIA: SS Benefit for Unmarried at Full Retirement

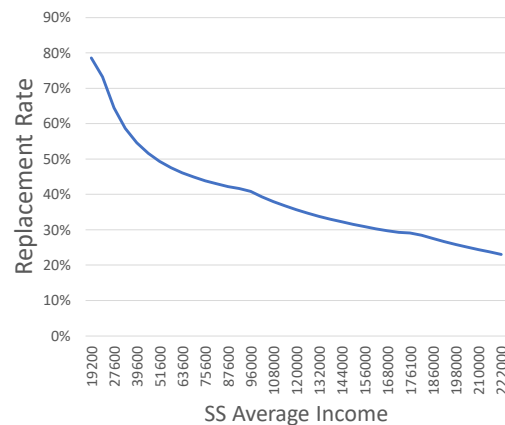
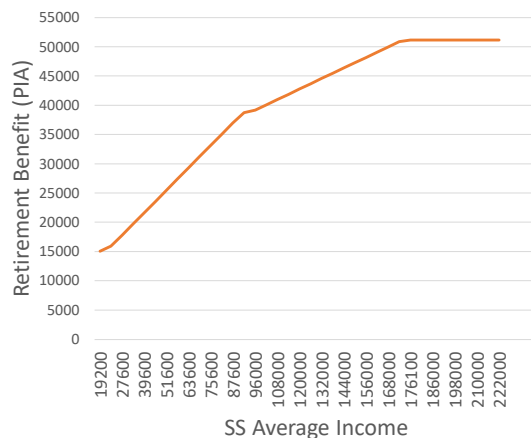
- Full Retirement Age is 67 for those born after 1960.
- PIA is a fraction of your SS average income, where the fraction decreases with income.



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Benefit Formula is Highly Progressive



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Adjustments to Retirement Benefit

- **Benefits payable for life and indexed to CPI inflation**
- **Marital Status:**
 - With nonworking spouse adds 50% of PIA at full retirement age.
 - Working spouse can claim off own earnings record if it is greater
- **Age when claiming (born 1960 or later, so 67 is PIA).**
 - Early: 62, 70%; 63, 75%; 64, 80%; 65, 86.67%; 66, 93.33%
 - Delayed, 68, 108%, 69, 116%; 70, 124%
 - Designed to be (roughly, on average) actuarially fair.



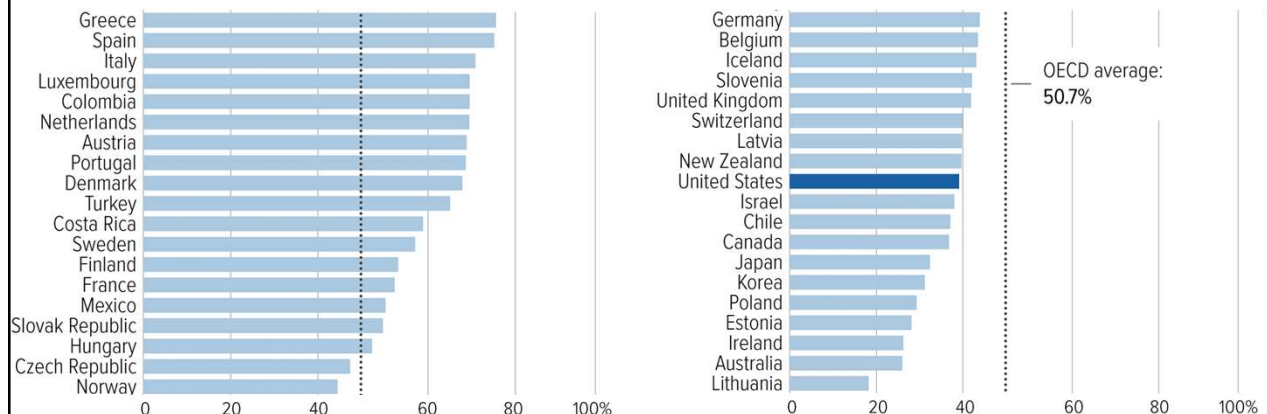
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Benefits are Comparatively Low

Social Security benefits for average worker as a percentage of earnings



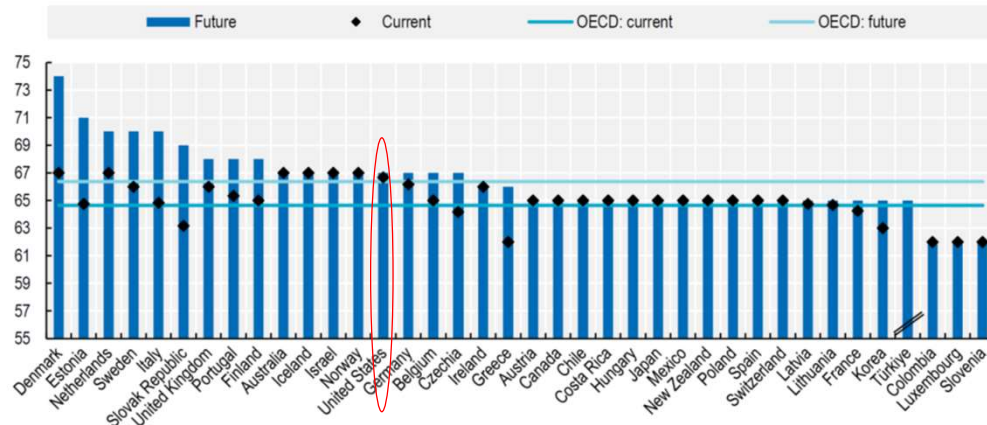
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Source: <https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security>

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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.

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



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K. Rose and K. Burkhalter, “Money’s Worth Ratios under the OASDI Program for Hypothetical Workers, Actuarial Note 25.7 SSA

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Let's Cut to the Chase...

- Solving the Social Security problem is simple:

**More revenues and/or
Reduced benefits**

- Why hasn't this happened?

Politics!



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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.



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<https://www.foxbusiness.com/politics/treasury-secretary-nominee-scott-bessents-3-3-3-plan-what-know>

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So, Let's Consider Some Other Choices

- Changes to revenues
- Changes to benefits

**But the appropriate choices
depend on the goals of the
program!**



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What Are The Goals of OASDI

Not mutually exclusive:

- 1. Partial earnings replacement via forced savings.**
- 2. Social Insurance: protect workers against risks that are hard to insure privately.**
- 3. Poverty Prevention among the elderly. (Was not an original goal)**



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1. SS as One Leg of the Three-Legged Stool

Why Forced Savings?

1. Private Pensions

- But, only 50-55 percent of private-sector workers are covered mostly by Defined Contribution Plans, as opposed to old-style Defined Benefit Plan.

2. Private Savings

- But, roughly 50 percent of workers aged 55-64 have little or no private savings (does not include housing wealth).

**The weaknesses of these 2 legs is worse the poorer the household.
Also, both these legs are subject to investment and inflation risk.**

(From 1970-2025 the S&P 500 fell by 20% or more 7 times).



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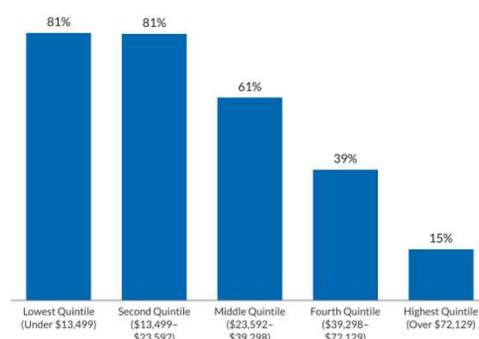
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How Important Are Social Security Payments?

And Remember,
Social Security is
Payable for Life
(Defined Benefit) and
Indexed to CPI
inflation

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

Notes: A quintile is one-fifth of the population. Data are for 2014.

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2. SSA Insures Against Significant Risks

1. Protects against becoming disabled.
2. Protects survivors, widow(er)s and children.
3. Protects against outliving resources because it acts like a lifetime annuity with the important added benefit that benefits are indexed to inflation



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Disabilities by Race (CDC)



Adults with Disabilities: Ethnicity and Race

When it comes to the health of people with disabilities, it's important to know the health differences among racial and ethnic groups

Approximate number of adults with a disability by ethnicity and race



Disabilities by Income

Any disability by annual household income — U.S. adults

CDC BRFSS 2013 · MMWR 2014



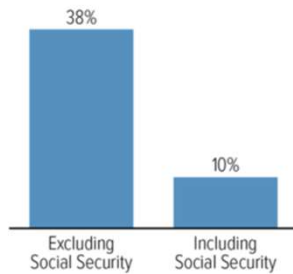
The relationship runs in both directions. Lower income increases disability risk through occupational hazard, deferred healthcare, and chronic stress. Disability also directly reduces income through lost employment and earnings. CDC BRFSS data cannot separate these pathways.



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3. Soc Sec Significantly Reduces Poverty

Percentage of adults age 65 or older in poverty, 2024

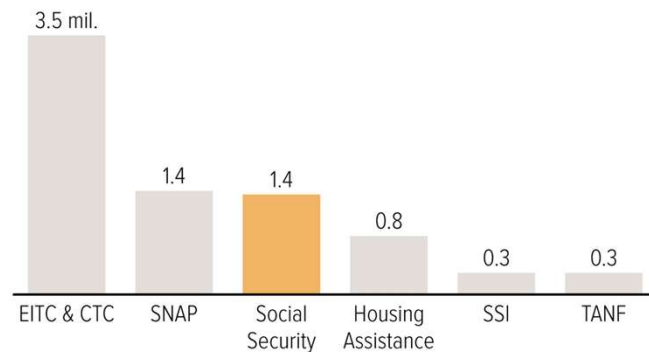


Note: Individuals in four of the five U.S. Territories — Guam, U.S. Virgin Islands, Northern Mariana Islands, and American Samoa — are not included due to data limitations. This analysis uses the official poverty measure.

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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Implications of 3 Different Goals

If there were only one goal (which there is not), what would be the implications for saving Social Security?

- 1. Forced Savings:** Maintain a link between taxed earnings and benefits.
- 2. Social Insurance:** Survivor and disability benefits are central. Progressivity in benefits is appropriate because low earners face greater risk.
- 3. Poverty Prevention:** Payroll tax links to benefits is a historical artifact. Means-tested benefits.



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The Following Simulations Brought to you by:



Committee for a Responsible Federal Budget 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/>



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Brookings Principles for a Solution

Principles:

1. **Bipartisan which means benefit cuts and tax increases.**
2. **Solvency (increase revenues and lower benefits by 3.82 % of taxable payrolls. Eliminate the "GAP")**
3. **No benefit reduction for current recipients (?)**
4. **No general fund financing**
5. **Improve Progressivity.**
6. **Increase risk protection. (improve benefits for dependents)**
7. **Universal participation**

How do these principles reflect the goals of Social Security?



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

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My Interpretation of Brookings Principles

- **While the goal of preventing poverty among the elderly is important, so too are the other two goals**
 - “this link between wages and benefits has been a central principle... and a foundation of its political support.”
 - Universal participation because of **social** insurance.
 - Increased risk protection.
 - Contributions and Benefits should be linked: If Federal tax collections are not progressive enough, change income tax, don’t try to do it through Social Security Reform.



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Example: Roughly Based on Brookings

1. **Slow Benefit Growth for High Earners (41%, of gap removed)**
2. **Index COLA to “Chained” CPI (17%)**
3. **Phase out nonworking spouse benefit (5%)**
4. **Expand Widow(er)s Benefit to 75% of combined benefit (-3%)**
5. **Eliminate earnings cap both for payroll taxes and benefits (50%)**

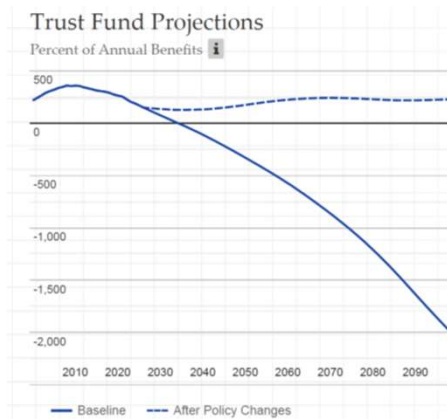
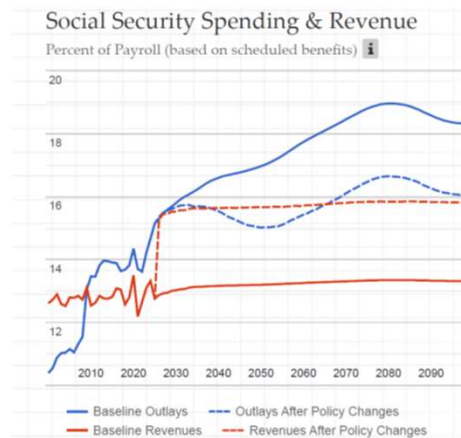
Bipartisan because it involves benefit reductions (60%) and tax increases (50%)



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Results



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Two Other Good Ideas from Brookings

- **Raise the Retirement Age for *High Earners* (15.5% of gap)**
- **Expand Legal Immigration (8.5% of gap)**



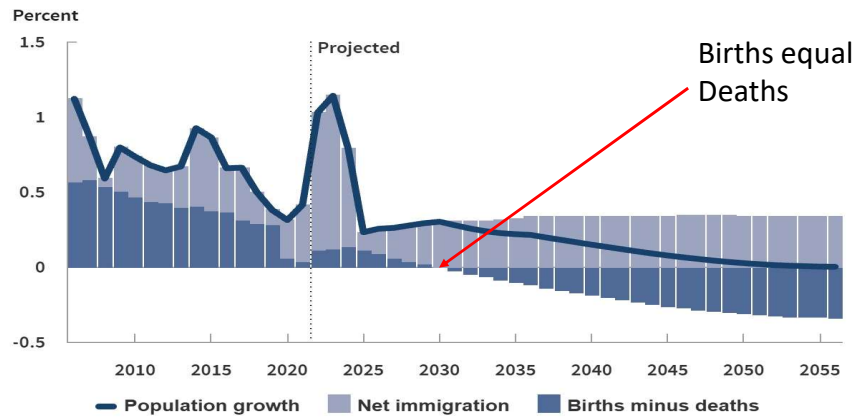
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Another Solution?

- Increase legal immigration of prime working age.

Population Growth and Contributing Factors



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

Why Not Just Raise 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.



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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	



Should Current Retirees Share the Burden?

- Current retirees have less flexibility to adjust income and spending.
- That may argue for a smaller relative burden, but not zero.
- Also, higher income retirees have more flexibility in adjusting spending.
- My opinion, for intergenerational fairness and for social solidarity, the more affluent of our generation should bear some burden



Intergenerational Fairness

- **Present Value Reduction in lifetime benefits**
- **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 22% reduction in PV of benefits**

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



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Summary

- **Social Security is an important part of the social safety net.**
- **The OASI Trust Fund is likely to be exhausted in 2032.**
- **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.
- **What happens when the funds are depleted?**
 - Benefits may have to be reduced by 22%.
 - The system will continue!
- **Solutions abound. The problem is political will.**
 - The needed changes will be unpopular, but they are manageable.
- **Should our generation contribute more to the solution?**

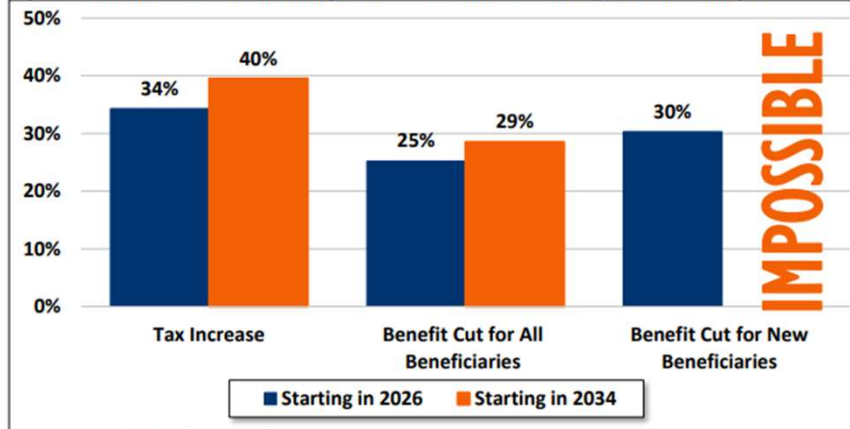


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What Happens if we wait until 2032?

Fig. 5: Tax Increases or Benefit Changes Needed to Achieve Solvency (Percent Change)



Source: Social Security Administration.

It gets worse: My simulations were based on the actuarial 75-year deficit in 2025 of 3.82 percent of taxable payrolls. The 2026 Trustee's Report estimates the deficit at 4.42%, a 16% increase.



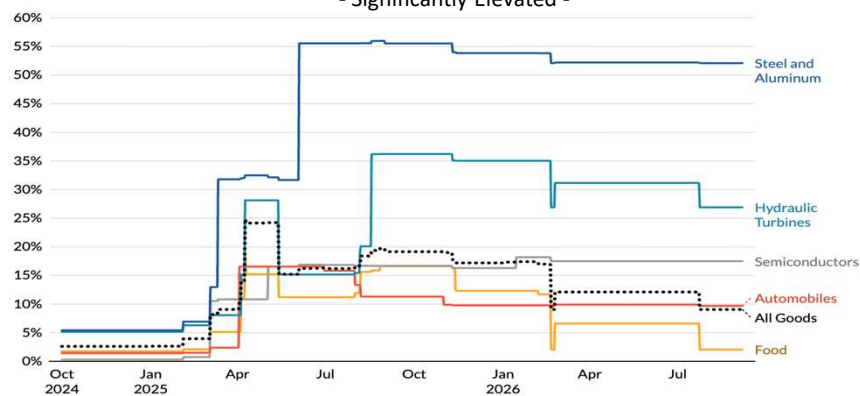
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https://www.crfb.org/sites/default/files/media/documents/Analysis%20of%20the%202026%20Social%20Security%20Trustees%20Report_7.pdf

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Tariff Economics: Jon Haveman

Average Tariffs During the Trump (2) Administration
- Significantly Elevated -



Source: TPC Tariff Rules Engine v1.5



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Let's Hear from You!

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