The Salvation of Social Security

Peter G. Peterson

Social Security remains sacred in American politics not because of an entire economy. In the recent election campaign, practically all the candidates promised "preserving Social Security," to "rest all cuts in benefits," and to "protect the elderly poor." No one dared to say that without major reforms— including "cuts"—the Social Security system will not have huge deficits, that these deficits will push our children into a situation of economic stagnation and social conflict and create a potentially disastrous situation for the elderly of the future. 

Petition does not hide a truth that is important. When a recent national survey asked voters whether they felt they would end up in poverty in retirement, 85 percent thought that if they received cutbacks in Social Security benefits, 84 percent between the ages of eighty and eighty-four said no. Evidently many people assume that Social Security is in very serious trouble. Why do so many politicians persist in saying the opposite? Why do they say that they fear the voters will punish messengers of bad news, and the future of Social Security is practically bad news?

The elderly are bound to feel threatened, betrayed, and angry if politicians speak of taking away the one thing that has sustained many of them. At the same time, younger generations tend to see the elderly as far sicker and poorer, far more disabled and homeless than they really are. Younger people also believe the elderly are more dependent on their children than they perhaps think they are. A recent survey, for example, found that 60 percent of the aged age sixty-five estimated that about 30 percent of the aged received income from their children. In fact, in only 1 percent of the aged people—possibly fewer—receive their principal support from children or relatives; fewer than 5 percent receive any help that could be considered income, and the elderly are twice as likely to be providing financial help to children as to be receiving it. 4

Social Security benefits are obviously of no help to the currently very poor. Reform must be carefully structured to avoid hardship consequences for those who depend on the system. But that retirement benefit does not go to those who need the Social Security system. It is in many ways a middle- and upper-income program; it has become a powerful political force with a vague human concern for the poor but because of a political reluctance to impose financial costs on middle- and upper-income voters. Still, if such reforms are carried out soon, they need involve a grand in targeting the increase of Social Security benefits; giving the current working population time to adjust, and providing—through expanded private plans and public options—the savings people need for their retirement and the savings the economy needs for its long-term health.

1. The Myths of Social Security

If Social Security is to be saved, the obsession that has served to hide the true problems of the system must give way to informed debate. Understanding is now blocked by a sea of myths—fan-tastical, really—about how Social Security works, how it began, and how it might fare over the next decades. That the system is riddled with flaws—financial, and ultimately political—may come as a surprise to most citizens.

Myth One: The problems are not serious. Events are rapidly undermining the myth that Social Security's financial condition is solid. When the 1979-1980 recession began in November the retirement fund had to borrow from the disability fund—the picture. As long as retired people continue to receive benefits wildly out of proportion (currently, there are five times as large) to their lifetime or payroll tax contributions, plus interest, the system will remain fundamentally out of balance. In a chain-letter scheme in which everyone makes payments to someone else, not everyone can win the jackpot: unless there is an impossible acceleration in growth of the national wealth we will need. It would be a monumental economic burden for the system to achieve a temporary balance in the late 1980s and 1990s. When the baby-birth generation retires early in the next century, the system will disintegrate.

Let us examine the future in detail. The Social Security trustees regularly publish projections of the future financial condition of the trust funds—the so-called "optimistic," "intermediate," and "pessimistic" plans and tables. In November the retirement fund had to borrow from the disability fund—

first such borrowing in the history of the Social Security system. While the 1983, the new, benefit cutbacks to the trust fund will run out of money to lend and then will itself face certain bankruptcy. In the "intermediate" projections, both funds will have no choice but to raise taxes and Medicare. If inflation is not accelerating, public opinion will be strong enough to prevent the new presidential majority from raising taxes. If not, the new, intermediate, "pessimistic" projections, look, is optimistic. Table 1, on the opposite page, shows what we have in store on the basis of the "pessimistic" assumptions. The "pessimistic" assumptions themselves are to be examined. For the next two decades, demographics will hold many very few of the "intermediate" projection for Social Security has, in the light of actual subsequent experience, turned out to be overly optimistic. I find today's widely used "intermediate" assumptions optimistic and the "optimistic" assumptions share fantasies.

One exception to the rule of "no sur-

"tax". Nearly everything is wrong with this

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ing economic performance, and of these, two statistical: one is the current unemployment rate and the future rate of real-wage growth. The former tells us how many workers are paying taxes into the system; the latter tells us how quickly each worker's tax payments are falling relative to the Consumer Price Index (i.e., relative to each retired person's indexed benefit). While growth, shows both rates under the "pessimistic" projection. The single most important variable for the near-term Social Security out-

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Why shouldn't we bet on the more prudent: assumptions of the "pessimistic" projection? Even if we do have a happier economic future ahead of us, we need not worry about reluctance to increase benefits once again.

Myth Two: It is "my money." Many recent studies have shown the under-standable but nonetheless naive view that they have a "contract" with the US government to get back "their" money from their account—by which they usually mean their lifetime tax contributions, without interest. They may hold this view because terms like "insurance" or "entitlement" or "pension" are used to describe Social Security. Whatever their technical nuances, such terms mean only one thing to most people: benefits belong to the beneficiary by right. To take away any of them away are both unjust and immoral.

This view—probably the most damaging myth of all—leads to no real reality. This year's newly retired sixty-five-year-old who paid Social Security taxes during his entire working career and was an average wage earner paid $7,200 in payroll taxes over the entire period. If we accept the estimates of longevity and inflation of the "pessimistic" projection (for the average wage earner with a nonworking spouse), he and/or his spouse will receive about $15,000 a year, or about seventy-five times the amount that he contributed in dollars. In the first year of his retirement, this person received an additional benefit in January 1982 of $803 a month, for an annual amount of $9,992.1 Put differently, in nine months the same person got back his lifetime tax contribution. This retired person or his spouse would continue to receive these payments, indexed upward annually to 100 percent of the increase in the Consumer Price Index, for a period of over twenty-five years—the wage number of years that either the husband or wife would be alive to receive benefits, according to actuarial.

A more expansive definition of "my" money would include the employee's contribution, plus interest. Then the payment would be one year and ten months. An even more expansive definition would include both the employee's and the employer's contribution, plus interest. Here, our average wage earner could get back his money in only three years and seven months, or about a 4 percent of the expected twenty-five-year longevity of that worker and/or any nonworking spouse.

A far more refined "present value" analysis by James Capra, Peter Skaperdas, and Robert Rubinfeld has just been published in the Federal Reserve Bank of New York. The analysis elaborates what should be obvious but is too often a hidden point: a so-called self-financed program that returns more than it is paid into it (even with interest) is a logical choice— or, less politely, a Ponzi scheme. Clearly someone will have to pay up. Capra et al. conclude that the program as it exists today is "fun- damentally flawed." They quantify the extent to which Social Security is today a welfare program disguised as an insurance or retirement program. The person who retires and has earned average wages during his working life has a standing "present-value ratio"—the ratio of the current cash value of all his expected benefits to his and his employer's lifetime contributions with Interest—of .50. If he has a wife who didn't contribute to Social Security, and 2.7 if he is single.

For a person receiving Social Security today this is, of course, a fabulous investment (which explains, in large part, the program is so popular). He could not have achieved a return remotely as good on any other type of "investment" made over the same period. The economy itself did not grow nearly fast enough for any "real investments" to show comparable results. But what does this say about the argument that retired people have a moral claim on—and an "entitlement to—the level of benefits for which Congress has so generously provided? First, almost none of the person's benefits are "real money" in any sense at all. Most of them are pure windfall benefits, unrelated to tax contributions made by him or his employer. Because people have come to expect this windfall, the government should be cautious about reducing benefits in absolute terms, at least that is because government should, wherever possible, avoid inflicting sharp changes on its citizens—a principle that was far better observed by Social Security. However, the government does have every right to begin adjusting the annual growth of benefits immediately in light of economic realities. The government has no "moral obligation" to provide windfalls forever.

Second, these windfall benefits could not continue forever, even if the government were of such a mind. Social Security proved a golden investment for today's retired people. For tomorrow's retired people it will almost certainly prove a bad investment, if not a monumental bust. This is a matter of simple logic.

1. For Social Security to produce such vast returns—windfalls, compared to "real money" in any sense at all—must grow faster than the general economy. This theory they have done. Since 1960 total benefits have grown 3.0 times faster than GNP.

2. Because benefits are financed directly from the current tax base, increases in payroll taxes and, because payoffs cannot grow faster than the general economy for any foreseeable period, benefits can grow ahead of the economy only by reducing the effective rate of payroll taxes continually. This is what has been happening. Since 1960 payroll taxes have increased from 2.3 percent of the GNP to 5.9 percent of the GNP.

3. But, as payroll rate rises, these paying the taxes must—as a matter of arithmetic—suffer a progressive erosion in the ratio of their ultimate benefits to the taxes they will have paid into the system. That is, their Social Security "investment" must show an ever-decreasing return.

This latter point—the ongoing erosion in Social Security's return to its participants—raises serious questions of both solvency and fairness. People retiring today will receive their lifetime contribution (employee-employer contributions taken into account) in about three years and seven months. Under current law, today's baby-boom twentysomethings who retire in about 2025 will receive their contribution in about nine years—2.5 to 1 ratio in favor of those who retired today. And if future taxes

*These ratios include only retirement cash benefits. Inclusion of Disability and Hospital Insurance would make the ratios even larger.

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are raised in order to close the huge deficits shown on Table 1, the ratio in favor of today's retirees would be much higher.

What then does it mean to say that the patterns and trends of today's benefits are sacred and unchangeable? It means that people realize today have some sort of moral right to reap windfalls from a tax benefit mechanism that will benefit their children and grandchildren. I see no ethical logic in that position.

Might Three: The elderly are, by definition, needy. A major obstacle to Social Security reform is the pervasive belief that old people are, virtually by definition, needy. Unwavering support for the Social Security status quo is often considered a test of one's social compassion and sense of fairness. Polls invariably show that most of us think that most old people are very poor. For instance, a Harris survey last year found that 65 percent of those under sixty-five believe that "(not having enough money"

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poor in these welfare programs—even before one takes into account tax breaks (e.g., the mortgage interest deduction) especially designed for middle- and upper-income groups. I do not see how the claims of social fairness are met by holding inviolate the benefits of the well-to-do.

Myth Four: The elderly are physically unable to work beyond age sixty-five. Any sensible reform package for Social Security involves raising the retirement age beyond sixty-five years (e.g., to sixty-eight or seventy years). To many, this seems heartless. In fact, polls show that a remarkable 79 percent of workers nearing sixty-five would like to continue working, if not in hard physical labor, at least part-time. But a far smaller percentage actually continues to work. A major reason is the disincentive to work built into the Social Security program: each dollar of earned income (wages) over $6,000 a year cuts Social Security benefits by 50 cents. That penalty, along with the federal income tax, makes the working beneficiary into a 70 percent tax bracket or worse once he has earned over $6,000. Clearly, any coherent program of entitlements reform for the aged must make it financially attractive for people over sixty-five to work.

The generation ago, the remaining life of a sixty-five-year-old man was an average of twelve years, and these were usually spent in deteriorating health. Today, sixty-five seems comparatively young. At sixty-five, one can expect another 16.6 years of life. Every medical study indicates that responsible work, at a reasonable pace, improves the physical and mental health of most of the elderly. In Japan, most men work beyond age sixty-five and the average Japanese life span is growing faster than ours. In America only about one man in five works after reaching sixty-five.

During this period of high unemployment, it may seem economically perverse to expand the labor force by encouraging later retirement. But the economy will soon run the other way. The latter part of this century will be a period in which the growth of the workforce will slow down dramatically. Then we will especially need the skills of our most experienced citizens.

2. Principles of Reform

The myths being circulated to block reforms all grossly underestimate the moral capacities of old people. Some assume, for instance, that today's elderly would demand abnormally high benefits even if that meant destroying the prospects for economic security of future generations. Politicians are therefore reluctant to anticipate what they take to be a vehement interest group. Most retired people I have talked to simply do not feel that way. In my experience, many old people have an unusual interest in and sense of responsibility toward later generations. I know of very few old people who, when informed of the facts, would hesitate to accept reasonable adjustments in their Social Security benefits.

Similarly the myth that the old see no distinction between the moral claims of the poor and of the well-to-do, has so far I am aware, little basis in fact. Indeed, I would guess that most rich people would be uneasy about their indexed, tax-free Social Security benefits if they knew how much their checks exceed their original contributions.

Those relating Social Security reform are protecting not the elderly but only a fanciful vision of the elderly. The "gray power" lobbies, which make a profession of blocking reform, have a vested interest in promoting these myths. But their constituents, I believe, would far more readily face facts and support constructive efforts aimed at improving the financial soundness and general fairness of the Social Security system.

Three principles should, in my view, underlie such plans. First, we must recognize that raising payroll taxes once again is not a solution. That approach to saving Social Security will inevitably fail. To close the deficits in the Social Security system under the "pessimistic" projection would take a payroll tax rate of about 44 percent in 2035. This simply is not going to happen. Working people would not accept it. Even if the old, the dead hand of such tax hikes would drive millions of unskilled workers into permanent unemployment. We worry now that high-income-tax rates are eroding incentives to work, save, and invest, and there has been much talk of a "flat-rate" income tax below 20 percent. Yet we are moving inexorably toward a system where payroll taxes for Social Security alone will scoop away more---much more---than 20 percent of wages and salaries.

The approach of raising taxes has already proved its ineffectiveness. Since 1949, average wages are up 470 percent, average income taxes 570 percent, average Social Security taxes 3,900 percent, and maximum Social Security taxes 5,480 percent. The employers' share of payroll taxes will be equivalent to about 20 percent of corporate profits---against 7 percent in 1935. Today, fully one-quarter of our workers pay more in Social Security taxes than they do in federal income taxes.

And what is the result of all this tax raising? The result, as we have seen, has been to worsen the inequality between generations and to put off confronting the coming collapse of the system.

Every new tax increase on Social Security has been followed by pressure to raise payroll-tax rates yet again. The latest proposal is to "Accelerate" Social Security payroll-tax rate increases scheduled through 1990 but to offer an "offsetting" income-tax credit at the same time. Also, this will simply widen the already grotesque deficit in the non-Social Security part of the budget. Ultimately, the proposal is one more scheme for a self-deceiving and self-defeating tax increase.

The second principle is that we must avoid deficits in the long term. We are hearing much about "temporary" transfers from general revenue to "sustain" the Social Security retirement and disability fund deficits. To that, I have two questions. First, what is the renewed income (e.g., Interest income) has no effect on Social Security benefits. In other words, a retired person with high income would be penalized for earning wages, while a retired person who is receiving $10,000 per year in Interest income would not be penalized for such income.

"This is a particularly regressive provision. First, what you consider that your renewable income (e.g., Interest income) has no effect on Social Security benefits. In other words, a retired person with high income would be penalized for earning wages, while a retired person who is receiving $10,000 per year in Interest income would not be penalized for such income.

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be equitable. Under the current benefit and tax structure, the present generation of retirees will receive a much greater return on contributions made than will those in the future. At a minimal rate of return, Social Security reform should reduce this imbalance. Equity between generations therefore requires that retirement benefits be postponed. Reform should also seek to protect the neediest—those who are very old, have low incomes, and are in poor health.

3. A Program of Reform

How can we build a program that assures financial solvency, without additional taxes, and satisfies the requirements of equity? Here is one proposal—offered in the hope that others will try to improve it.

One: Freeze cost-of-living adjustments (COLAs) for at least one year. This would make up for at least some of the recent increases that occurred between 1978 and 1981 because benefits were tied to the Consumer Price Index, which has an upward bias. During that period, retired people received cost-of-living adjustments that were too high by 10.8 percent compared with those measured by a more accurate index of inflation, the personal consumption deflator. A freeze on cost-of-living adjustments and lower future COLAs need not hurt the poor. For those who receive benefits under Supplemental Security Income (SSI), the welfare program for those disabled, the loss in income would be made up dollar for dollar with higher SSI benefits. Also, the restrictions on COLAs could be applied selectively—they would exclude, for example, the Social Security beneficiaries who receive the smaller monthly benefit checks.

Two: Limit future COLAs after the freeze is over. We are told that it is politically impossible to reduce Social Security COLAs. I am not so sure. Survey of public opinion on Social Security show a great deal of confusion about these adjustments. For example, a recent survey conducted by the Gallup Organization suggests that the public does not approve of automatic COLAs. Most respondents believe that adjustments ought to be annual decisions based on current circumstances. Also, among those who favored automatic COLAs, a majority favored adjustments equal to the automatic adjustments in labor contracts—which, historically, have equaled about 60 percent of the increase in the CPI. Holding COLAs to 60 percent of the increase in the CPI would go a long way toward ensuring the future solvency of the system and would affect current and future beneficiaries about equally, according to the analysis of the New York Federal Reserve. Savings could reach $21 billion by 1986.

An alternative plan would be to index the increase in average wages minus 1.3 percent. An advantage of this proposal is that it would reduce the solvency of the system to unforeseen economic developments. Wage growth is the primary determinant of how fast the Social Security system will grow. If payroll tax revenues will increase, while COLAs are an important factor in how fast benefit payments will increase. If COLAS were limited to the increase in wages minus 1.5 percent, it would prevent a repetition of the experience of recent years in which rapid growth of the Consumer Price Index compared to wages depleted the Social Security system's cash reserves even more quickly than would have been the case otherwise. In fact, this proposal for wage indexing could save $18.7 billion by 1986, almost as much as indexing to 60 percent of the increase in the CPI. However, in the long run the savings are probably less than half of what would result from indexing to 60 percent of the Consumer Price Index. Indexing to wages minus 1.5 percent may be a little high; it is buying weapons to fight the previous war. On the other hand, it is far preferable to the current method of full CPI indexing.

A freeze on cost-of-living adjustments and lower future COLAS need not hurt the poor. For those who receive benefits under Supplemental Security Income (SSI), the welfare program for those disabled, the loss in income would be made up dollar for dollar with higher SSI benefits. Also, the restrictions on COLAs could be applied selectively—they would exclude, for example, the Social Security beneficiaries who receive the smaller monthly benefit checks. By whatever means, we must continue to provide adequate benefits to the poorest, oldest, and sickest.

Three: Tax those benefits that are received in excess of contributions. For every other retirement program, whether private or public, any benefits that are received in excess of employee contributions (whether they are the worker's own contributions or represent the employer's contributions or both) are subject to federal income tax. It's unclear why retirement benefits have never been applied to Social Security. Tax benefits in this way would have a number of advantages. In the long run it has the largest effect of any proposal. In the past, some have suggested taxing 50 percent of benefits, under the assumption that the employer's contribution was tax-deductible. Such a proposal only perpetuates the myth that lifetime employee-employer taxes are equal to lifetime taxes.

Curiously, on private pension plans, the retiree pays taxes on contributions coming in, but on everything going out. On Social Security, it is the reverse.

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ility and the federal employee retirement system.

Table III, below, shows the effects of these various reforms in achieving the goals of solvency and stability for the pension system. One result is that the system would become solvent, i.e., would be able to meet all its obligations, with no future increases in the tax rate. In other words, the total savings from these reforms about equal the currently projected deficits through the year 2000.

Seven: Reform Medicare and reduce medical costs. Even if all the foregoing reforms were carried out, as we can see from Table III, there would still be a deficit in 2025, largely from Hospital Insurances, equivalent to 8.2 percent of taxable payroll. This requires that we go further, to reform Medicare. We have seen how swiftly rising Medicare deficits are a driving, even dominant force in prospective Social Security deficits. The Medicare program is the fastest-growing part of the Social Security system. Between 1972 and 1982, outlays for the Hospital Insurances fund increased more than three-fold, from $6.2 billion to $33.7 billion, 2.8 times as fast as GNP: disbursements per beneficiary increased 300 percent since 1972. Under the projections in the most recent report of the Social Security trustees, disbursements in the future are expected to increase by between 3 and 4 times as fast as GNP. Prospective costs are immense, especially in view of the huge increases in the number of people over seventy-five and the emergence of new life-saving technologies. The latter problem is already illustrated by the estimate, according to experts, that between one third and one half of Medicare payments have gone to keep elderly people alive in their last year of life.

Ultimately, the runaway expansion of Medicare can be slowed only by reducing the rampant inflation in hospital and other medical costs. This inflation is partly fueled by perverse incentives and archaic insurance arrangements that shield the medical sector from normal competitive forces.

While reform of the Medicare program is beyond the scope of this article, the entire structure needs comprehensive reorganization with new incentives to reduce costs. For example, from the standpoint of the providers of medical services, we have a system in which costs are determined retrospectively (that is, it reflects the sentiment, "You don't get a dollar unless you spend a dollar!"). "The more you spend, the more you get," I would strongly support more experiments with prospective price systems, based either on unit prices for specific forms of care or on inclusive budgets for a package of services, provided through a hospital or local community, that would be negotiated in advance. From the standpoint of the patient (and his employer), there are now few incentives to keep costs down. Thus such notions as increased deductibles and co-payments, voucher systems, and treating some part of employer contributions for medical benefits as ordinary income for tax purposes must receive serious consideration.

Unlike direct changes in the benefit levels of cash retirement programs, for which effects on outlays can be estimated with some precision, proposed changes in Medicare will have largely indirect effects on benefit levels (e.g., from the impacts provided by higher deductible amounts). The resulting effects on total outlays cannot be precisely predicted.

4.

By conventional political standards this program of reform may seem impossible. But without such a program the Social Security system, and economic growth itself, will become impossible. That will tend to alter political conventions. The real question, therefore, is whether we possess the will and determination to change our own politics or whether we must wait until chaotic change is forced upon us, including a full-scale rebellion by young workers, trusted by taxes, against the entire notion of supporting the elderly at a decent level of income.

Republicans and Democrats have both shared fully in the decisions which turned a sound, though controversial, program into a vast scheme of welfare for well-off citizens. The radical distortions in Social Security have had strong bipartisanship support. The huge benefits increases of the early 1970s were supported jointly by Walter Mills and Richard Nixon. And both parties have failed to inform the public about the system's problems—and have done much to give false reassurance about its future.

There is no partisan method to save the system. The rescue of Social Security is not a left or a conservative cause; it will depend on combining a realistic understanding of fiscal deficits with a humane sense of social fairness. Politicians are thoroughly convinced that any party or faction proposing serious reform will face certain anathematization at the polls. Inaction may remain the safer politics for a few more years, but I am not so sure. When the system is coming down, smart politics will be small consolation. Thus Social Security poses one of the deepest challenges to democratic politics in our history, a challenge above all to the middle- and upper-income citizens of this country who largely determine the course of public policy. They are the ones who will bear the brunt of Social Security on a vastly optimistic assumption for future increases in the payroll tax rate which would occur as a result of scheduled tax increases in 1988, 1995, and 1999. These estimates are also based on the pervasive "optimistic" economic and demographic projection.

This is the second of two articles on Social Security.

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**TABLE III**

Extent to Which Various Reforms Achieve Goals of Equity and Solvency (No Deficits and No Tax Increases Beyond 1983)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>% of Payroll</td>
<td>% of Payroll</td>
<td>% of Payroll</td>
<td>% of Payroll</td>
</tr>
<tr>
<td>1. One-Year COLA Freeze</td>
<td>12.9</td>
<td>+0.7</td>
<td>7.7</td>
<td>+0.3</td>
</tr>
<tr>
<td>2. Indexing Benefits to 60% of the CPI</td>
<td>21.1</td>
<td>+1.1</td>
<td>67.3</td>
<td>+2.3</td>
</tr>
<tr>
<td>3. Indexing Benefits to Wages minus 1.5% (18.7)</td>
<td>(0.9)</td>
<td>(32.9)</td>
<td>(11.3)</td>
<td>(97.2)</td>
</tr>
<tr>
<td>3. Tying Benefits to Excess of Employee Contributions</td>
<td>10.6</td>
<td>+0.5</td>
<td>55.0</td>
<td>+1.9</td>
</tr>
<tr>
<td>4. After Initial Benefits Calculation</td>
<td>1.0</td>
<td>+0.1</td>
<td>2.5</td>
<td>+0.1</td>
</tr>
<tr>
<td>5. Raise the Retirement Age</td>
<td>6.9</td>
<td>+0.4</td>
<td>10.3</td>
<td>+0.4</td>
</tr>
<tr>
<td>6. Coverage of Federal Workers</td>
<td>51.5</td>
<td>+2.7</td>
<td>144.2</td>
<td>+5.0</td>
</tr>
</tbody>
</table>

| SOLVENCY GOALS | | | | |
|-----------------|-----------------|-----------------|-----------------|
| Achieved by Reform | 1986 Savings | 1990 Savings | 2000 Savings |
| Solvency Goal, i.e., Currently Projected Deficit* | -33.7 | -1.7 | -59.4 |
| OASDI Deficit** | -3.17 | -2.05 | -119.8 |
| HI Deficit** | -20.4 | -1.03 | -0.31 |
| TOTAL OASDI DEFICIT | -54.1 | -2.73 | -122.5 |

| EQUITY GOALS | | | |
|-----------------|-----------------|-----------------|
| Intergenerational Equity: Return on Contributions to Present, Future Benefit | 0.0 | 0.0 | 0.0 |
| Intergenerational Equity: Proportion Directed to the Neediest | 0.0 | 0.0 | 0.0 |

*Assumes that change will be made, if needed, to Supplemental Security Income (SSI) to offset any restrictive effects on the neediest recipients or, positively, that in the case of the COLA proposal, the provisions would be structured to exclude beneficiaries with the lowest wage histories.

**These deficit projections are based on current tax rates and the decrease in the Social Security tax rate would occur as a result of scheduled tax increases in 1988, 1995, and 1999. These estimates are also based on the pervasive "optimistic" economic and demographic projection.

December 16, 1982

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