

# **“I Love Social Security, but It’s Going Broke.”**

**Steve Max  
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## **Social Security Should Be the Democrats’ Winning Issue**

When you hear, “I love Social Security, but it’s going broke,” watch out. The person you are speaking with may be a Republican or a Democrat, but one thing is sure, they don’t really love Social Security.

Ever since the Roosevelt Administration, when right-wingers claimed that Social Security was a fake and would never pay anyone a dime, Republicans and Democrats alike have prophesied its doom. Bill Clinton wanted to cut benefits, raise the retirement age and partially privatize the system. Even President Obama, as part of a larger budget deal with Congressional Republicans, suggested cutting benefits and raising the retirement age to 69<sup>1</sup>. Fortunately, the deal broke down.

Social Security has well over \$2 trillion in reserves, and operates far more efficiently than private retirement plans.<sup>2</sup> Nonetheless, it projects that the reserves will be used up by 2035. That doesn’t mean Social Security is broke. It has regular tax and interest income, which if nothing is done, would still pay [80% of current benefits](#) . The shortfall is largely a result of people living longer and a declining birth rate. Rising inflation and the loss of better-paying middle class jobs are also part of the problem. It is unfortunate that the Democrats didn’t solve this while they had control of both houses.

## **Much More Than a Pension Plan**

Until they need it, many people, especially younger people, don’t realize that Social Security is more than a pension. It is also disability insurance and a life insurance policy to benefit widow(er)s and children. For a young worker with average earnings, a spouse, and two children, that’s equivalent to a life insurance policy with a face value of nearly \$800,000 in 2020, according to Social Security’s actuaries.

Social Security will be most peoples’ only source of guaranteed retirement income that is not subject to investment risk or financial market fluctuations.

Once someone starts receiving Social Security, their benefits increase to keep pace with inflation, helping to ensure that people do not fall into poverty as they age. In

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<sup>1</sup> At the suggestion of Congress member Nadler, Three Parks organized the Manhattan Democratic District Leader’s and Club President’s Committee for Social Security. Every club in Manhattan signed on to a strong statement designed to keep the Borough’s Congressional delegation from supporting the proposed benefit cuts.

<sup>2</sup> Administrative costs of as a percent of benefits in the Social Security system are 0.6% compared to between 1% and 2% for private annuities.

contrast, most private pensions and annuities are not adjusted (or are only partly adjusted for inflation.)

Over 65 million people, or more than 1 in every 6 U.S. residents, collected Social Security benefits in January 2022. While older adults make up about 4 in 5 beneficiaries, another one-fifth of beneficiaries received Social Security Disability Insurance (SSDI) or were young survivors of deceased workers.<sup>3</sup>

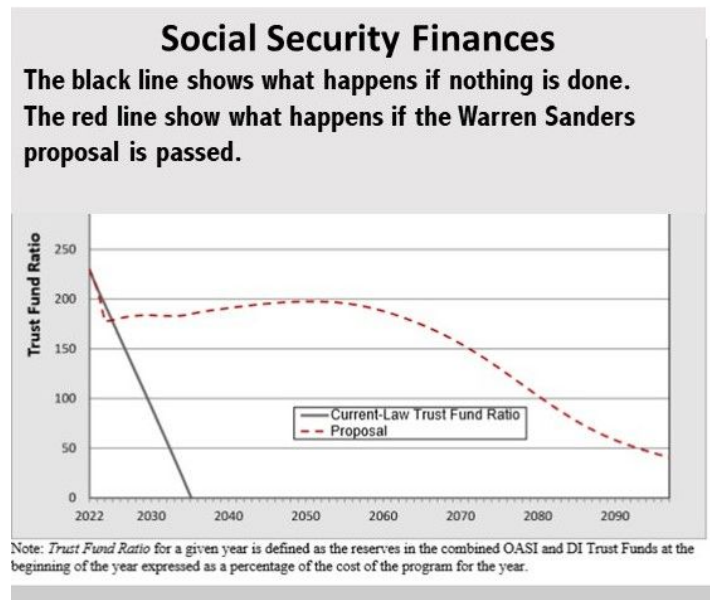
## The Warren - Sanders Plan to Strengthen Social Security

Senators Elizabeth Warren and Bernie Sanders have introduced the [Social Security Expansion Act](#), which not only makes Social Security solvent for the next 75 years, but also increases benefits, especially for lower-income workers and current retirees. For decades, Democrats and Republicans alike have said that saving Social Security would require benefit cuts, yet this legislation expands benefits.

The Chief Actuary of the Social Security Administration produced a detailed twenty-five page [analysis](#) of the bill and said, “We estimate that enactment of these provisions would extend the ability of the OASDI program to pay scheduled benefits in full and on time throughout the 75-year projection period.” (See chart above.)

Here are the Bill’s highlights:

- Raise the Payroll Tax Cap. The Social Security payroll tax is capped so that millionaires and billionaires pay exactly the same tax as a person making \$160,200 a year. No one pays Social Security tax on any income above that \$160,200 figure. The Warren-Sanders bill will gradually eliminate the cap until all salary is taxed. They calculate that 93% of households will not see any increase.
- Tax Wealth, not Just Wages. Paychecks are taxed for Social Security but investment income isn’t. For individuals making more than \$200,000, there will be a 12.4% tax on investment income. This percentage is the same as the combined employee/employer payroll tax.
- Increase Benefits. The Act will give all retirees a raise of \$2,400. Although the Labor Department has a [Consumer Price Index for the Elderly](#), which gives



Source: Report of the Chief Actuary of the SS Administration

<sup>3</sup> <https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security>

more weight to health care and housing, it isn't used to determine Social Security COLA adjustments. Under the Act, it will be used instead of the more common index for all workers. This is expected to bring larger adjustments.

- Raise the Minimum Benefit. A person living on the Social Security Special Minimum Benefit for low-wage workers is even poorer than poor, 16% below the poverty line<sup>4</sup> to be exact. The Act would raise the Minimum Benefit to 125% above the poverty line.

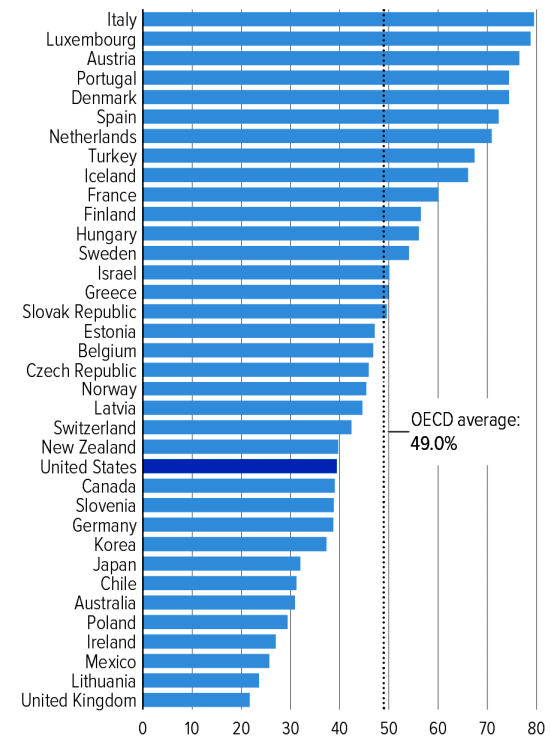
The Warren-Sanders bill would bring Social Security a little closer to the world average benefits. Many Americans think that we have the best retirement benefits in the world, too generous some say, and we can't afford more. The truth is that rich as America is, our Social Security benefits rank below Latvia. If a small country like Latvia can do better, why can't we?

### Then What's the Problem?

In the last weeks, millions of French citizens have been demonstrating against raising the retirement age from 64 to 65, with over five hundred recent arrests in Paris alone. Here in the US, the retirement age went from 66 to 67 with barely a peep from anyone. The Republican Study Committee plan calls for gradually raising the retirement age to

#### U.S. Social Security Benefits Are Lower Than in Many Other Developed Nations

Social Security benefits for average worker as a percentage of earnings



Note: Data depict the gross public pension benefit (in the U.S. context, Social Security) for an average worker in each country who enters the workforce today and works steadily until full pension age (in the U.S., age 67), as a percent of pre-tax earnings.

Source: Organisation for Economic Co-operation and Development, Pensions at a Glance 2019: Retirement Systems in OECD Countries

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70.



So, if making the rich pay their fair share of taxes can bring Social Security solvency for the next 75 years<sup>5</sup> and increase benefits, why isn't there more enthusiasm for doing it? Well, of course, the rich don't like it, and as we know, the rich have their ways. The bigger problem is that everyone else has been so deceived

<sup>4</sup> The 2023 poverty line for a single person is \$14,580

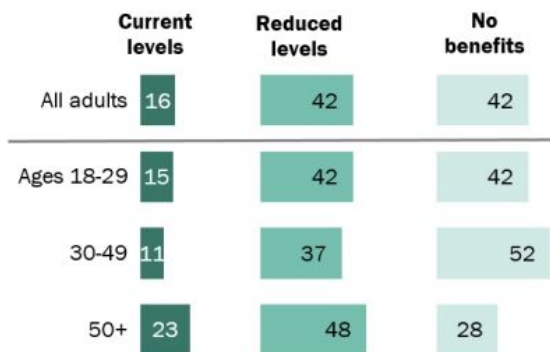
<sup>5</sup> It could be more than 75 years. The Social Security Administration only makes projections 75 years out. This is the best estimate we have.

and misinformed about the future of the system that too few people believe they will benefit from it no matter what.

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**About four-in-ten Americans say, by the time they retire, Social Security won't have enough money to provide benefits**

*Among those who are not retired, % saying that, when they are ready to retire, Social Security will provide benefits at ...*



Note: Share of respondents who didn't offer an answer not shown.  
Source: Survey of U.S. adults conducted Dec. 11-23, 2018.  
"Looking to the Future, Public Sees an America in Decline on Many Fronts"

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In a 2021 Harris Poll [survey](#) of 1,853 people, weighted to reflect the US population as a whole, 47% agreed with the statement, *"I will not get a dime of the Social Security benefits I have earned."* A Pew Research report found that 84% thought they would get either less benefits than now, or none. This is why people who say "I love Social Security, but it's going broke," are no friends of Social Security. As long as people believe that the system is going down, many would rather have their taxes go into IRAs or private investment funds.

### What's Next?

The Warren - Sanders bill is unlikely to move in the this Congress, and unfortunately, although it is actually a winning issue, many Democrats will be afraid to talk about

increasing Social Security benefits during the 2024 election period



Lincoln once said, "Public sentiment is everything. With public sentiment, nothing can fail. Without it, nothing can succeed."

A recent Data for Progress [Poll](#) of 1,335 likely voters showed that "82% of voters want Congress to raise Social Security benefits across the board and that 83% of Democrats, 73% of independents, and 73% of Republicans want to strengthen Social Security and pay for it by making the wealthy contribute their fair share." So there you have it, eighty-two percent want higher benefits and eighty-four percent believe they will get less or no benefits when they retire. Our job is to tell the truth about Social Security wherever we can, to the voters and to our elected officials. We need to move people past their fear and pessimism to demand and vote for what they really want.

## About the numbers

Projecting when the Social Security reserve funds will be used up, may seem like a matter of simple arithmetic. Actually, the actuaries take into account a staggering quantity of statistics. On the demographic side these include birth rates, longevity, death rates, retirement age rates and immigration rates. On the Economic side they include growth rates, employment and unemployment, interest rates, inflation, wage rates, labor force participation and many more. The actuaries include variations for different parts of the population, and do a remarkably good job

We have noticed, however, that their immigration estimates seem low. For example, the Social Security figure for net immigration in 2022 including legal permanent residents and all others was [144,000](#) however, known border crossings alone for that year appear to have been [2,760,000](#). Because lower birth rates and labor force participation rates are a major cause of the Social Security shortfall, underestimating immigration can make it appear worse than it is. The Social Security economists, like most others, are anticipating a mild recession over the coming years, one which could be worldwide. They say that the economy will grow at a slightly slower average rate in the next twenty years than it did in last twenty. They are probably right. However, if the economy does manage to equal past growth with low unemployment and low inflation, that could extend the life of the reserve fund by one to two decades they say.