

Osher Lifelong Learning Institute, Fall 2026

Contemporary Economic Policy

University of Massachusetts, Boston

Host: Geoffrey Woglom, Director
National Economic Education Delegation



1



Saving Social Security

Lenox Club

September 15, 2026

Geoffrey Woglom, emeritus, Amherst College
Director, National Economic Education Delegation



2



Course Schedule

Contemporary Economic Policy

- Week 1 (9/16): Economic Update & Changes at the Fed, Geoffrey Woglom, Amherst College
- Week 2 (9/23): Economic Inequality, Joseph Carolan, Oakland University
- **Week 3 (9/30): Saving Social Security, Geoffrey Woglom, Amherst College**
- Week 4 (10/07): Federal Debt, Dmitriy Stolyarov, University of Michigan
- Week 5 (10/14): Trade and Globalization, Andreas Waldkirch, Colby College
- Week 6 (10/21): Climate Change Economics, Sarah Jacobson, Williams College

Outline

- What is Social Security?
- Why is Social Security in Trouble?
- Closer Look at Retirement Benefits.
- The Goals of Social Security and Principles for Reform
- One Example of a Bipartisan Solution.

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

5

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

6

Social Security's History (cont.)

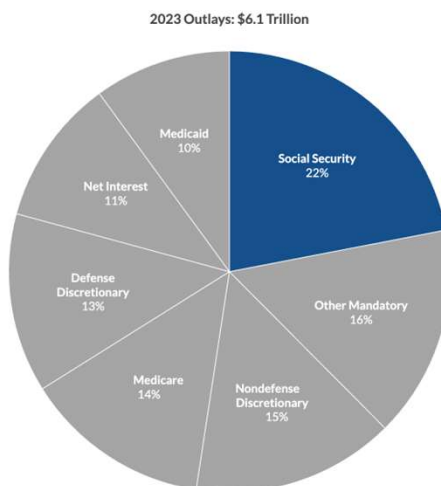
- 1977 Congress corrects “double-indexing mistake” that threatened SS solvency (first benefit reduction)
- 1983 Greenspan Commission: up to 50% of benefits of high earners subject to income taxation, gradual increase in normal retirement age, increase in payroll tax rate.
- 1993 85% of benefits subject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



NATIONAL ECONOMIC
EDUCATION DELEGATION

7

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION



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

8

The Mechanics of Social Security

- **“pay-as-you-go” system**
 - Revenues come from: Payroll taxes on workers and employers, and income taxes on some social security benefits.
 - Revenues pay the benefits of the currently retired, or otherwise eligible.
- **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.
- **Income taxes on SS Benefits:**
 - For lowest income, benefits are not taxable
 - As income rises, a fraction of benefits become taxable up to 85% at about \$50,000 of AGI (not indexed).

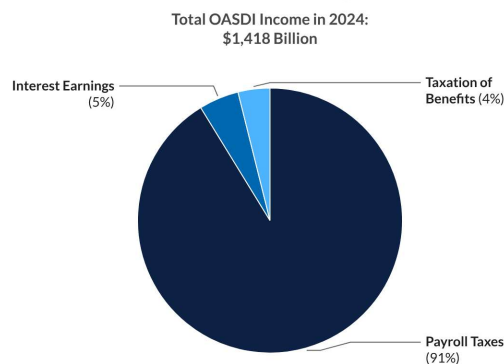


NATIONAL ECONOMIC
EDUCATION DELEGATION

9

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION



10

What if SS Tax Revenues 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 trading lous with 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:** Under current law, If the Trust fund is exhausted, Social Security benefits are limited to Social Security income.



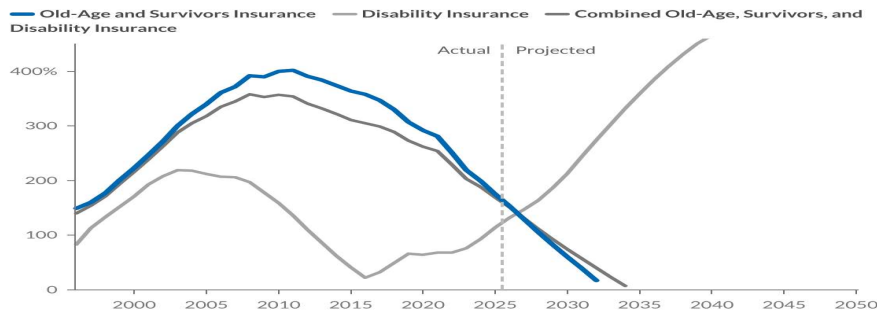
Why is Social Security in Trouble?



The Problem: Trust Funds are Running Out

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

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



PETER G. PETERSON
FOUNDATION



NATIONAL ECONOMIC
EDUCATION DELEGATION

13

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%

20%

15%

10%

5%

0

2000

2020

2040

2060

2080

2100

Payroll tax income

OASI Trust Fund Exhaustion, 2032 Benefit Cut: 22%

After trust fund depletion, payable benefits = income

Scheduled and payable benefits

Scheduled but not fully payable benefits



NATIONAL ECONOMIC
EDUCATION DELEGATION

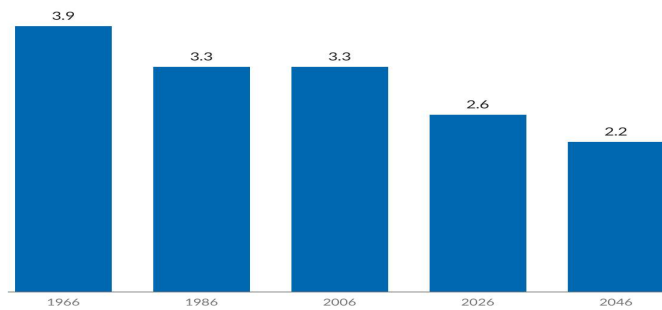
Source: SSA

14

Main Problem Is Due to Aging Population

As the population ages, fewer workers will be paying taxes to support each Social Security beneficiary

Ratio of Workers per Beneficiary



Source: Social Security Administration

Note: Beneficiaries are those covered by either Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) or both.



1. Baby Boomers are retiring.
2. Increasing Life Expectancy.
3. Baby Bust: By 2030, births = deaths.
4. Net immigration Way down
5. Growing wage inequality means more income is not subject to the payroll tax.

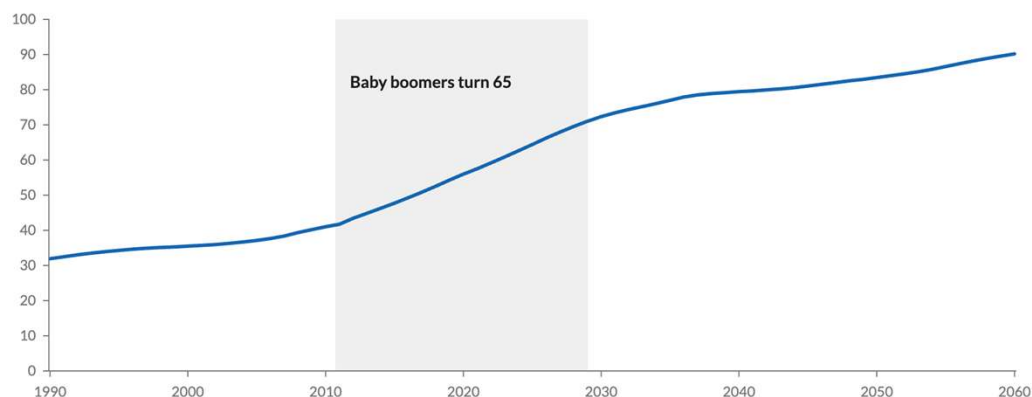


Source: <https://www.pgpf.org/article/how-does-social-security-work/>

15

1. 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.



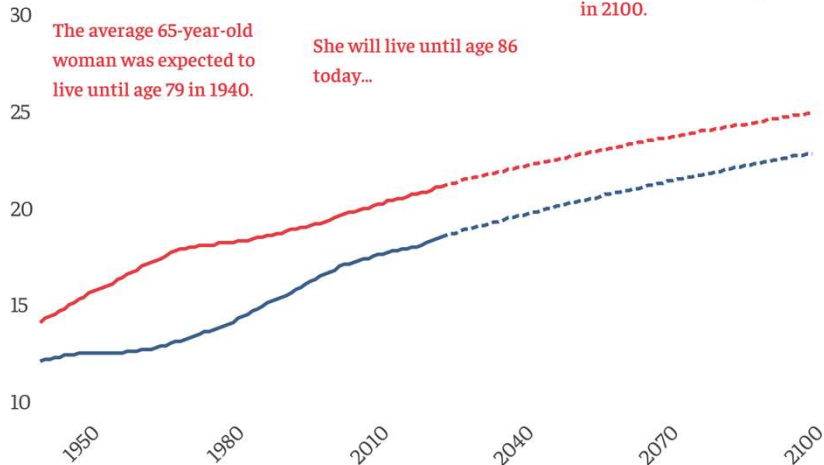
Source: <https://www.pgpf.org/article/how-does-social-security-work/>

16

Life Expectancy Continues to Rise

Remaining life expectancy at age 65 (in years)

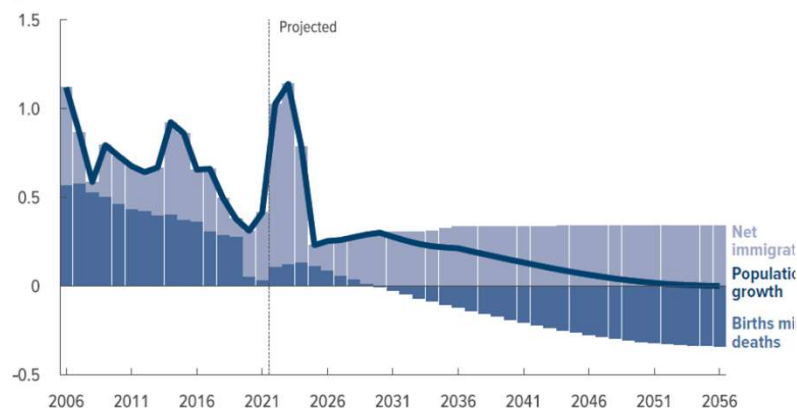
----- Projected



3. & 4.: Future Population Growth

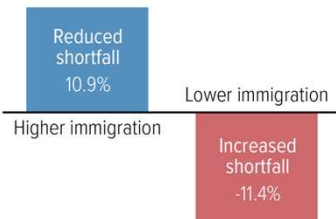
Population Growth and Contributing Factors

Percent



Immigration Benefits the Social Security Trust Fund

Impact as a percentage change in Social Security's current financial shortfall



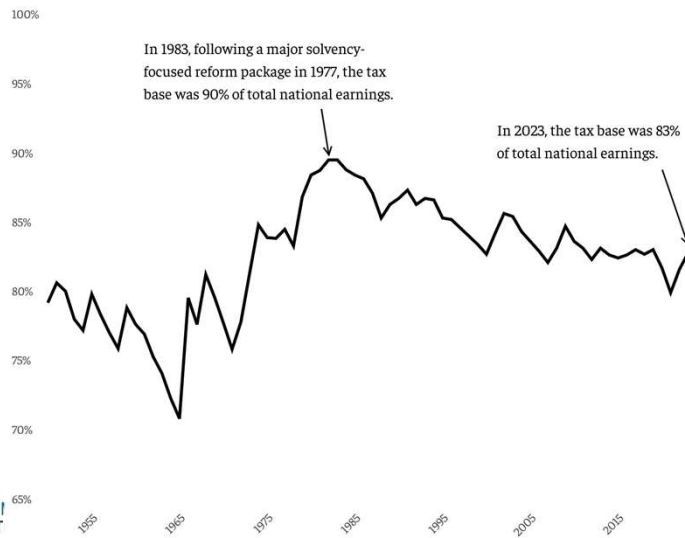
Source: Social Security Administration

Note: "Lower immigration" means 415,000 fewer immigrants per year compared to baseline average, while "Higher immigration" means 439,000 more immigrants per year compared to baseline average.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

5. Tax Base is Falling

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

Source: SSA

19

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 (OBBA)	-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 ($=.34/.81$) to the deterioration.



NATIONAL ECONOMIC
EDUCATION DELEGATION

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

20

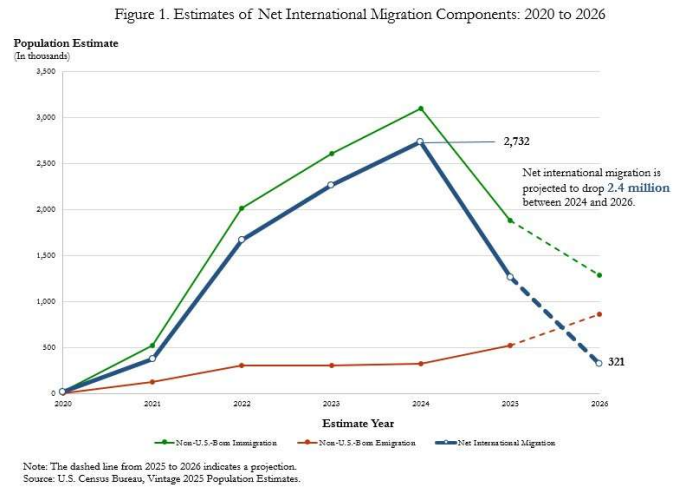
Policy Changes

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION



21

A Closer Look at Retirement Benefits



NATIONAL ECONOMIC
EDUCATION DELEGATION

22

Benefits are Based on Your Primary Insurance Amount (PIA)

PIA which depends on:

- **Your work history.**

- Your average highest income over 35 years, where earlier years are indexed to wage inflation.
- Except that income for any year is “capped,” currently at \$184,500

- **Income Cap plays two roles:**

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

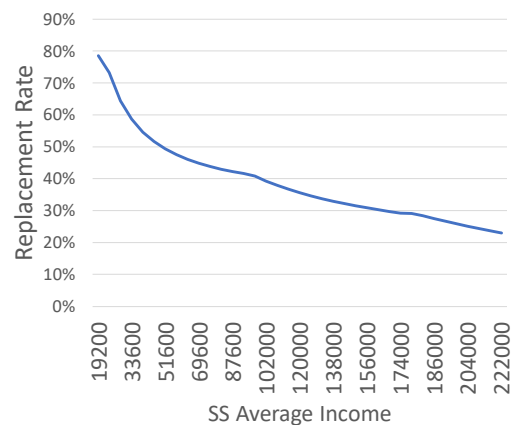
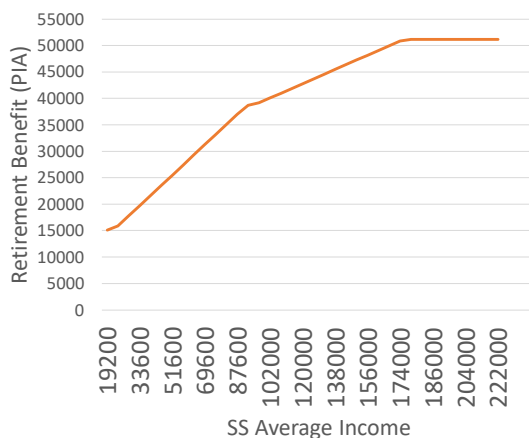
- **PIA determines Retirement Benefit of a single retiree at Full Retirement age, 67**



NATIONAL ECONOMIC
EDUCATION DELEGATION

23

Benefit Formula is Highly Progressive



NATIONAL ECONOMIC
EDUCATION DELEGATION

For every dollar average income exceeds \$93K, benefits increase by 15 cents

24

Benefit Adjustments to PIA

- **Age when claiming**

- Early: 70% at 62 to 100% at 67.
- Delayed: 108% at 68 to 124% at 70.
- Fractions designed to be (roughly, on average) actuarially fair.

- **Marital Status:**

- Nonworking spouse adds 50% of PIA at full retirement age.
- Working spouse claims off own earnings record if it is greater.

- **Benefits go up each year based on CPI inflation.**

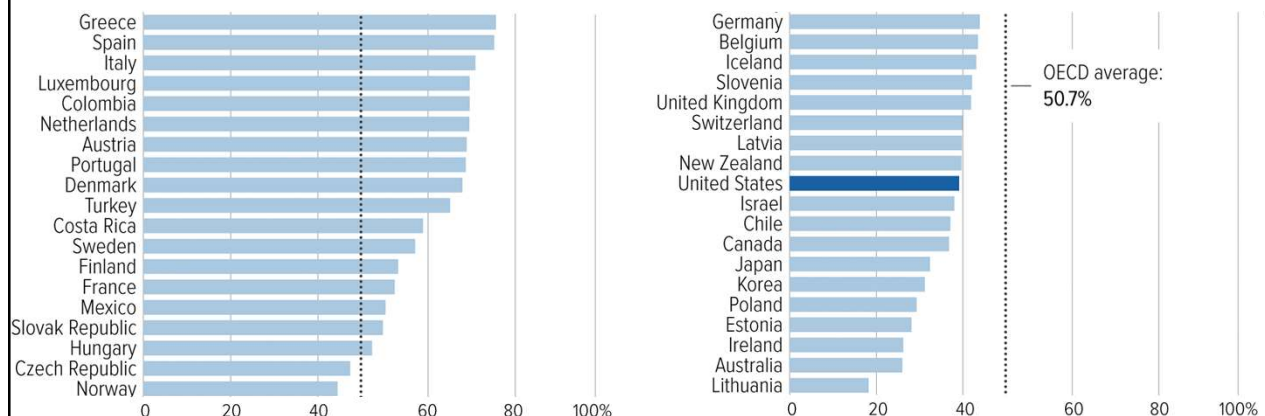


NATIONAL ECONOMIC
EDUCATION DELEGATION

25

Social Security Benefits are Comparatively Low

Social Security benefits for average worker as a percentage of earnings



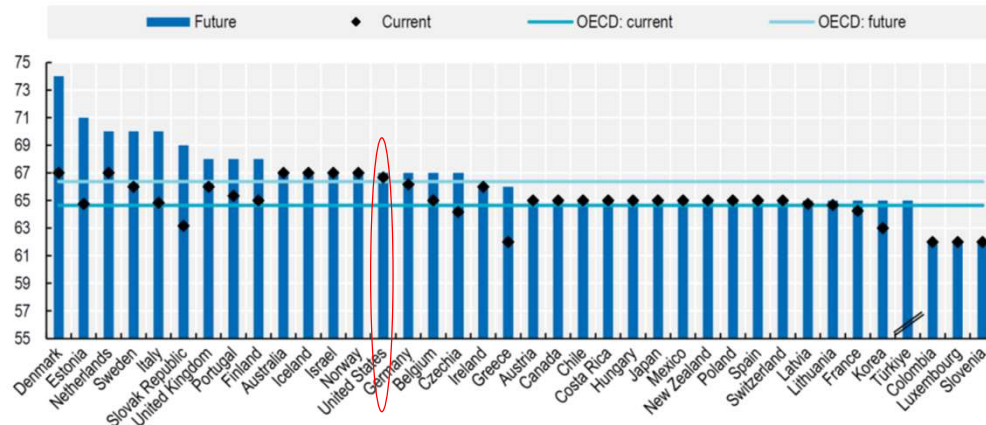
NATIONAL ECONOMIC
EDUCATION DELEGATION

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

26

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.

Solving the Social Security problem is simple

**More revenues and/or
Reduced benefits**

- Why hasn't this happened?
Politics!

Personal Opinion: Disingenuous & Unhelpful

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

One Big Beautiful Bill and Immigration Policies are a substantial reason Social Security Finances got worse in 2025.



NATIONAL ECONOMIC
EDUCATION DELEGATION

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

29

The Goals of Social Security and Principles for Reform



NATIONAL ECONOMIC
EDUCATION DELEGATION

30

The Goals of Social Security

Not mutually exclusive goals of Social Security:

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

31

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.

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).



NATIONAL ECONOMIC
EDUCATION DELEGATION

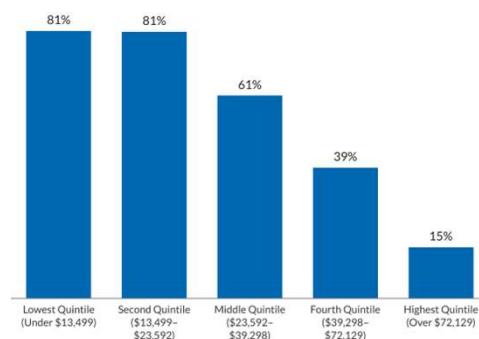
32

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

33

2. SS 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.

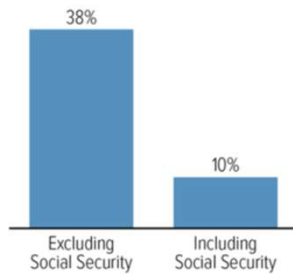


NATIONAL ECONOMIC
EDUCATION DELEGATION

34

3. Soc Sec Significantly Reduces Poverty

Percentage of adults age 65 or older in poverty, 2024

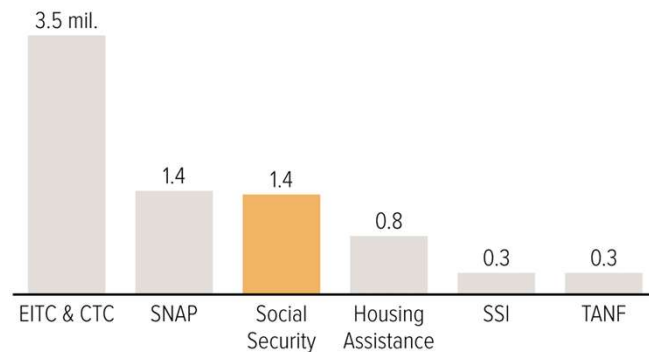


Note: Individuals in four of the five U.S. Territories — Guam, U.S. Virgin Islands, Northern Mariana Islands, and American Samoa — are not included due to data limitations. This analysis uses the official poverty measure.

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

35

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. (Conflicts with 1.)



NATIONAL ECONOMIC
EDUCATION DELEGATION

36

Brookings Principles for a Solution

Principles:

1. **Bipartisan which means benefit cuts and tax increases.**
2. **Solvency (increase revenues and lower benefits by 4.42 % of taxable payrolls. Eliminate the "GAP")**
3. **No benefit reduction for current recipients (?).**
4. **No general fund financing (Pay benefits from SS taxes).**
5. **Universal participation.**



NATIONAL ECONOMIC
EDUCATION DELEGATION

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

37

My Interpretation of Brookings Principles

- **Social Security is a special program, not just poverty prevention.**
 - "...link between wages and benefits has been a central principle... and a foundation of its political support."
- **Bipartisan: I would go further: Don't try to fix the inequities of the federal tax system with social security reform**
 - Preserve the traditional view that Social Security is a different type of government program.
 - SS reform is tough enough and the problem is urgent.



NATIONAL ECONOMIC
EDUCATION DELEGATION

38

Example: Roughly Based on Brookings

1. Slow the benefit growth of high earners (38%, of gap removed)
2. Index COLA to "Chained" CPI (16%)
3. Phase out nonworking spouse benefit (4%)
4. Expand Widow(er)s Benefit to 75% of combined benefit (-3%)
5. Calculate PIA on a 40-year average rather than 35 (15%)
6. Raise earnings cap to \$330,500 in 2026 to cover 90% of wages (23%)
7. Raise the payroll tax to 12.6% (5%)
8. Tax all SS Benefits for Retirees making more than \$100,000. (3%)

Bipartisan because it involves benefit reductions (70%) and tax increases (31%)



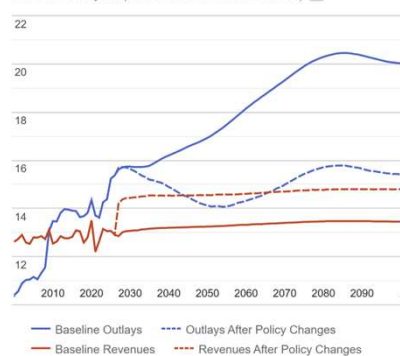
NATIONAL ECONOMIC
EDUCATION DELEGATION

39

Results

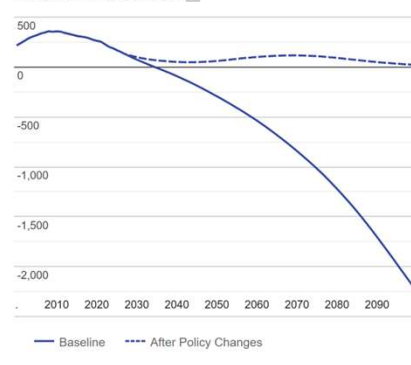
Social Security Spending & Revenue

Percent of Payroll (based on scheduled benefits)



Trust Fund Projections

Percent of Annual Benefits



NATIONAL ECONOMIC
EDUCATION DELEGATION

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

40

Two Other Good Ideas from Brookings

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

41

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

42

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	



NATIONAL ECONOMIC
EDUCATION DELEGATION

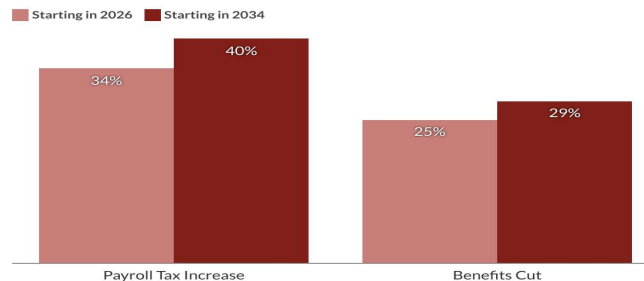
43

The Sooner We Act the Better

We cannot afford to let the “best” be the enemy of the “good.”

Waiting to reform Social Security will increase the magnitude of change needed

Policy Change to Prevent Depletion of OASDI Trust Funds (% Change)



Source: Social Security Administration
Notes: The Social Security Administration projects the impact of insolvency to the combined OASDI fund. Increases in the payroll tax rate would be equal to a 4.25 percentage point increase if reform started in 2026 and a 4.90 percentage point increase if reform started in 2034. Data for benefit cuts reflect the combined OASDI fund and assume cuts are made to current and new beneficiaries. According to the 2026 Trustees Report, projected benefit cuts for the OASI fund only would be 22% across the board two years prior in 2032.



NATIONAL ECONOMIC
EDUCATION DELEGATION

44

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

45

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 and slower growth in the labor force.
- What happens when the funds are depleted?
 - Benefits may have to be reduced by 22%, but the system will continue
- Solutions abound. The problem is political will.
 - The needed changes will be unpopular, but they are manageable. The longer we wait the bigger the problem.
- There is hope: both the Senate and House are considering different bills to form a commission to make proposals.



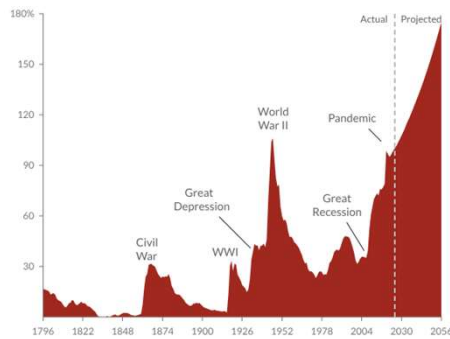
NATIONAL ECONOMIC
EDUCATION DELEGATION

46

Next Week: Federal Debt & Deficits

Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)



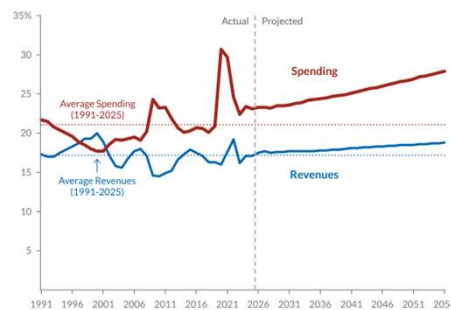
Sources: Congressional Budget Office

Note: Sources include long-term projections and previous reports.



The growing debt is caused by a structural mismatch between spending and revenues

Federal Spending and Revenues (% of GDP)



Sources: Congressional Budget Office

Note: Projected data have been adjusted to remove the effects of timing shifts. Data includes the long-term and ten-year projections.



NATIONAL ECONOMIC
EDUCATION DELEGATION

47

Let's Hear from You!

Geoffrey Woglom grwoglom@amherst.edu

Slides available

https://www.needecon.org/delivered_presentations.php

Additional Material

<https://sites.google.com/view/macro-current-issues/social-security>



NATIONAL ECONOMIC
EDUCATION DELEGATION

48