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Social Security reform: How to prevent the program's bankruptcy

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Social Security Reform: How to Prevent the Program's Bankruptcy

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Abstract

Social Security, the United States' largest federal entitlement program, provides old-age and disability protection to over 64 million Americans. However, rigorous evaluations indicate that the program will reach insolvency by 2035. This means that there are projected cash-flow shortfalls through which tax revenue alone will soon be insufficient in covering the annual program cost. Researchers suggest that the exhaustion of the Social Security trust funds is explained by (a) demographic shifts that depress the worker-to-beneficiary ratio and (b) financing imbalances caused by program deficits. My research addresses methods for ensuring the solvency of the Social Security program by exploring the question: How can the government prevent the bankruptcy of the Social Security Program in the United States? Theoretical knowledge from Kingdon's Multiple Streams Approach is used to explore the problem and past reform proposals in order to determine the factors associated with policy failure and policy momentum. The factors determined to increase the likelihood of implementation were (a) policies with strong influence from policy entrepreneurs, (b) policies that align with the political environment and public opinion, and (c) policies with the greatest projected ability to extend program solvency. In addition to considering whether the policy is likely to be implemented, this thesis also assesses the abilities of three different policies to successfully remedy the program's insolvency: (a) privatization, (b) increasing the taxable maximum, and (c) increasing the payroll tax. Each is compared based on three criteria: effectiveness, equity, and political feasibility. My results suggest that increasing the taxable maximum and increasing the income tax rate both offer a promising ability to extend the program's solvency. Comparative findings conclude that increasing the taxable maximum has the greatest likelihood of implementation and is best suited to extend long-term solvency to the greatest extent.

Introduction

Social Security faces long-term funding shortfalls that are projected to result in program insolvency by 2035. In order to protect entitlement benefits from budget cuts, political leadership in the United States must quickly select and implement an effective method to reform the program. This thesis consists of three chapters and takes a holistic approach in analyzing Social Security to better inform policy decision-making. The purpose of this thesis is to suggest the best reform method for improving the solvency of Social Security based on (a) likelihood of implementation and (b) projected ability to remedy financial shortfalls. Kingdon's Multiple Streams Approach can be informative in determining the conditions associated with agenda setting and policy implementation. Chapter 1 is a review of the relevant literature aimed at setting the stage for potential reform methods and problem solving. Chapter 2 utilizes Kingdon's Multiple Streams Framework in order to gain an understanding of the Social Security policy process and how to effectively set the agenda to prioritize reform. Additionally, Chapter 2 explores and analyzes what has worked and what has not worked among past reform attempts to better understand the best method to utilize for reform. The purpose of the final chapter is to assess the likelihood that Social Security reform will reach the institutional political agenda, with the goal of presenting a viable solution to the problem. Chapter 3 conducts a policy analysis of three proposals for Social Security reform, privatization, increasing the taxable maximum, and increasing the payroll tax, based on three evaluative criteria: effectiveness, equity, and political feasibility. The main findings suggest that eliminating the taxable maximum has a promising ability to extend program solvency by 75 years. Eliminating the taxable maximum is considered the most equitable and has a moderate to high political feasibility.

CHAPTER ONE: Literature Review

In Chapter 1 I perform a literature review of relevant scholarly sources on Social Security. First, I discuss the history of Social Security in the United States in order to depict motivations for the program's enactment along with the demographic shifts that have altered its solvency. Next, I outline the program's revenues, demands, and fiscal environment. Next, I outline the history of Social Security reform to provide an understanding of the past modifications in hopes that they will lend themselves useful for consideration in future reform methods. Finally, I discuss public opinion surrounding the program. Essentially, this chapter is intended to define the problem surrounding the United States Social Security system, while providing insight into the need for reform.

History of Social Security in the United States:

There are a few early pension programs that pre-date the Social Security Administration. After the Revolutionary War, many wounded veterans lacked access to health care. It was not until thirty-five years after war that the United States enacted the War Pension Act of 1818, which was one of the earliest pension programs in the world (Blakemore, 2018). The Civil War was a turning point for Veteran care and pension programs in the country. In 1862, the "Civil War Pensions became the world's largest welfare system," which was created to offer pensions and long-term care homes for veterans (Blakemore, 2018). Soon after, this program was expanded to include old age as a qualification criterion for pension eligibility. This was the first time in American history that old age was specifically targeted for social insurance (Blakemore, 2018). However, the systems in place at this time still failed to provide adequate old-age protection. In the mid-nineteenth century, the United States experienced demographic changes that required an improvement in the traditional systems of economic security in old age. The

Industrial Revolution, the disappearance of the "extended family," and the increase in life expectancy "rendered the traditional systems of economic security increasingly unworkable" (*Social Security*). First, the Industrial Revolution resulted in a great increase in Americans who were working wage-earning jobs. Income from these jobs was economically volatile, which encouraged the creation of company pension programs. Prior to the Industrial Revolution, most people earned a living working "either as farmers or artisans making hand-crafted goods" (*Industrialization, Labor, and Life,* 2019). As a result of industrialization, nuclear families began to move to urban areas at large rates, often leaving elderly family members behind. One major advantage of living with extended family was that when one grew old, their able-bodied family members could support them. As families continued to move to industrial areas for new jobs, the emphasis on nuclear families began to replace extended families, and elders were left to support themselves—hence the need for old-age protection programs. Lastly, due to healthcare improvements, Americans began living significantly longer (*Social Security*). These demographic changes left elderly Americans in desperate need for a reliable retirement support system.

When the Great Depression hit, it left the U.S. economy in ruins. Due to their inability to work, the elderly and the disabled were among the poorest in the nation. The official poverty measure was not created until 1963, so there is no comparable historical data dating back to these times. However, the Congressional Research Service estimates that "in 1966, the poverty rate among persons aged 65 and older was 28.5%, compared with 10.5% among adults aged 18 to 64" (Dalaker & Li, 2019). Further, "the poverty rate for Americans aged 65 and older historically was higher than the rates for adults aged 18 to 64 and children under the age of 18, but today it is the lowest among those three age groups" (Dalaker & Li, 2019). A 2020 report by the Center on

Budget and Policy Priorities showed that “Social Security lifts more Americans above poverty than any other program” while also estimating that if Social Security were to be eliminated, then almost half of all senior citizens in America would be living at or below the federal poverty line (Romig, 2020). In an effort to build future financial security, President Franklin D. Roosevelt proposed a payroll tax where working class Americans would pay into a system to help finance current retirees. The United States Social Security Act was signed into law in 1935 as a part of FDR’s New Deal (*Social Security*). The sweeping nature of the New Deal brought relief to millions of Americans. The program improved the overall economic well-being of the country through numerous reforms; including the creation of millions of jobs, federal bank deposit protection, and the expansion of social welfare programs and unemployment insurance, including Social Security.

The original proposal of the Social Security Act evoked some controversy over its apparent mirroring of socialism. However, while Social Security, like many other social welfare policies, have been accused of being socialist, that is not necessarily the case. Proponents of social insurance programs have argued that they are necessary to insure against the risks of a market-based society; Social Security insures recipients against the risk of old age—in the same way that unemployment insurance insures against the risk of economic downturn and workers compensation insures against the risk of job site injury. Despite the invalidity of claims of socialism, given that it was a progressive reform, it faced backlash from many Republicans who feared it would decrease the labor pool by urging individuals to retire earlier (*Progressive Era Investigations*). However, proponents contested that retirement would make jobs available for young men who were ready to enter the workforce, essentially counterbalancing its effects (*Progressive Era Investigations*).

The bill creating Social Security was first introduced on January 17th, 1935— in the Senate by democrat Robert Wagner of New York and in the House by Democrats Robert Doughton of North Carolina and David Lewis of Maryland. Overlapping with the Senate Finance Committee Hearings, the House Ways & Means Committee also had hearings on the bill in late January through mid-February, where the program received its official name—the Social Security Act. The bill was again introduced in the House in April of 1935 and debated for nine days. It was passed in the House by a vote of 372-33. The updated bill was then introduced in the Senate in June and was debated for eight days, and passed by a vote of 77-6 (*Social Security*). At the time, the Democrats had the majority in both the House and the Senate, and more Republicans opposed the bill.

After the Social Security Act was officially signed into law on August 14th, 1935, the Social Security Board was created in order to monitor and oversee the program. The board was made up of the Chairman and two other individuals. However, “all three members had equal status and each had one vote in Board decisions” (*Social Security*). Former Governor of New Hampshire John Winant was the first Chairman of the Board and held the position from 1935 to 1937. Originally the SSB had “no staff, no facilities, and no budget” (*Social Security*). Later, the Social Security Board was reformed to become the Social Security Administration, the current board that oversees the program (*Social Security*). The Social Security Administration today has over 60,000 employees and is headquartered in Baltimore. Andrew Saul currently serves as the Commissioner of Social Security (*Social Security*).

Revenues and Demands

The official name for Social Security is Old-Age and Survivors Insurance and Disability Insurance, or OASDI. The Federal Insurance Contributions Act (FICA) created the income withholding requirement for federal pension programs Social Security and Medicare. Individual incomes are subject to three taxes: a 6.2% OASDI tax, a 1.45% Medicare tax, and a 0.9% surtax on annual incomes over $200,000. Social Security is financed through a 12.4% payroll tax that is split between the employee and the employer, who each pay 6.2% of wages on incomes up to $142,800 annually as of 2021 (*Social Security*). Individuals who are self-employed are responsible for the entire share and thus pay 12.4% of income. The payroll tax is often referred to as the FICA tax or, more specifically, the OASDI tax (as it appears on paychecks). According to the Social Security Administration Press Office, there are three main streams of revenues for Social Security: the payroll tax, interest earnings, and the taxation of benefits. Specifically, in 2018, payroll taxes accounted for 88.2% of the total revenue for Social Security-- $885.1 billion. These tax revenues earned $83.3 billion in interest, which provided 8.3% of the total income for the program (*Social Security*). A portion of the benefits themselves are also taxed, which contributes around 3.4% of revenue for the program each year. The earnings base for OASDI rises as average U.S. income increases. The higher the wages, the more tax income the program receives. However, not all income is subject to the tax— as of 2021, workers pay social security taxes on earnings up to $142,800 annually (Brockman, 2021). Figures 1 and 2 below summarize the sources and uses of program funding.

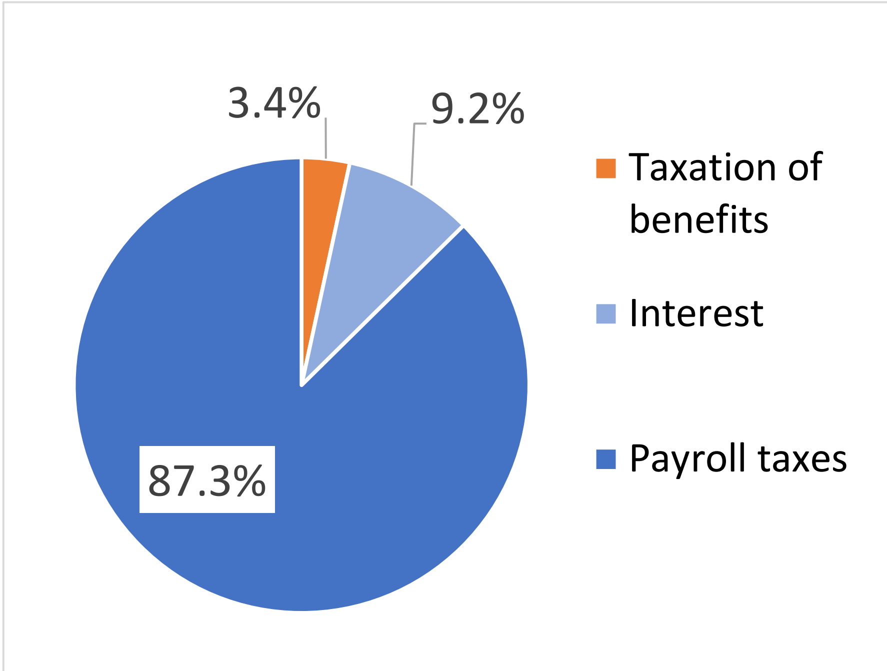

Figure 1: Sources of Funding: $957.5 Billion USD
Source: 2017 Annual Report of the Board of Trustee of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

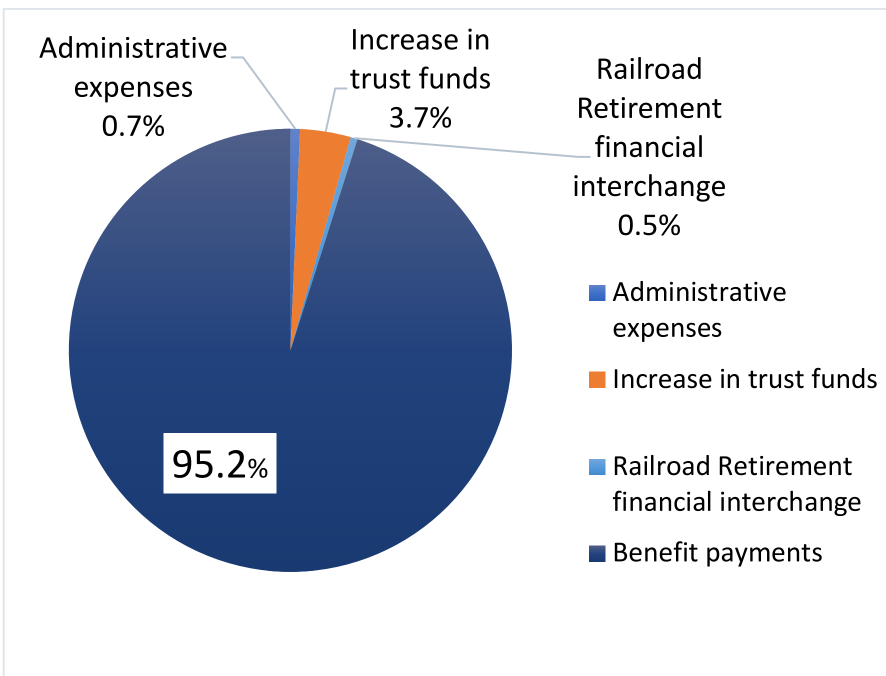

Figure 2: Uses of Funds
Source: 2017 Annual Report of the Board of Trustee of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

Beginning in 2016, tax revenue alone was insufficient in covering the program's scheduled benefits. In 2019, the program paid over one trillion dollars in benefits while only receiving $885.1 billion directly from income taxes. Looking at direct payment into the program, there is a current deficit of over $100 billion. As previously mentioned, the program closes this gap by acquiring interest and taxes on its benefits. With the current program costs exceeding its tax revenues, the trust fund will quickly be exhausted. In order to prevent the depletion of funds, the program needs to see an increase in net inflow in the upcoming years. The Social Security trust funds are both the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) trust funds, which are both managed by the United States Department of the Treasury. According to the Social Security Administration, these trust funds serve two purposes: "1, they provide an accounting mechanism for tracking all income to and disbursements from the trust funds, and 2, they hold the accumulated asset reserves" (*Social Security*). Specifically, the OASI trust fund pays the benefits to retired workers, while the DI trust fund pays the benefits to disabled workers. The program's tax revenues are highly contingent upon the average taxable income and the number of individuals in the workforce. In 2019, the United States had 130.6 million full-time workers and 65 million Social Security beneficiaries, 44.5 million of whom are retired workers (*Social Security*). Thus, today there are about 2.9 workers per retiree, which is expected to fall to only two per retiree around 2040 (*Social Security*). With the worker-to-beneficiary ratio steadily declining, there is a challenge when it comes to retaining solvency. To put this in perspective, there were 41.9 workers per retiree in 1945. This number has been steadily declining over the past 75 years. Figure 3 depicts the ratio decline over time, from 1945 to 2013.

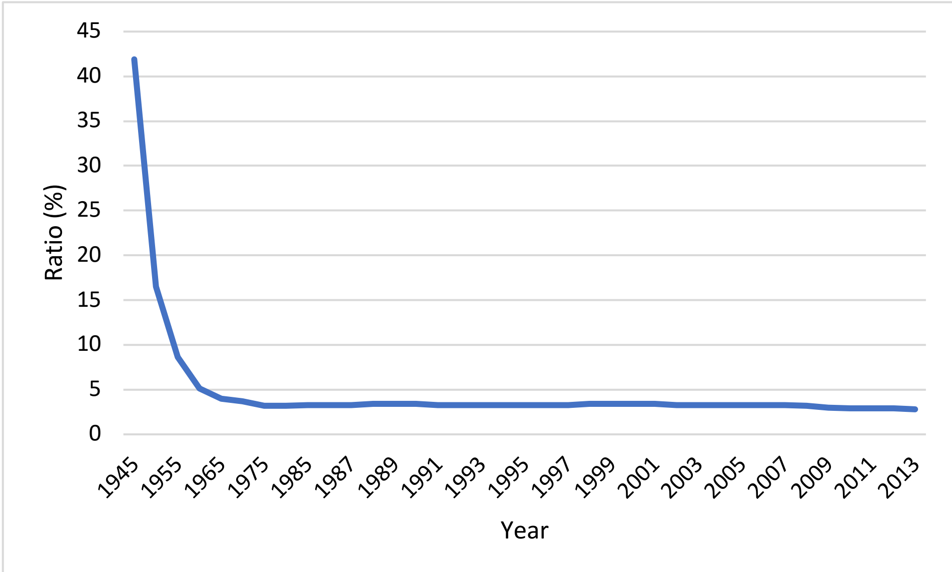

Figure 3: Ratio of Social Security Covered Workers to Beneficiaries

Source: 1945-2013 Annual Trustees Report

Social Security provides benefits for retired workers, disabled workers, and their dependents. The majority of the program's benefits are spent on the Old-Age and Survivors Insurance trust fund portion of OASDI. Around 75% of the trust fund provides payments for retired workers and their dependents, while the remaining is spent on supporting disabled workers. In June of 2019, retired workers and their dependents received a monthly average of $1,471 in benefits. Of the 64 million Americans receiving payments, 8.5 million were disabled workers, who receive a monthly average of $1,236 in benefits. According to the Social Security Administration, disabled workers and their dependents receive 14.5% of the total annual benefits. Furthermore, "just over 1 in 4 of today's 20 year-olds will become disabled before reaching age 67 [and] 67% of the private sector workforce has no long-term disability insurance" (*Social Security*). Additionally, there are currently approximately 56 million Americans aged 65 or older, which is projected to increase to over 78 million by 2035 (*Older People Projected to Outnumber Children,* 2019; *65 and Older Population Grows Rapidly as Baby Boomers Age,* 2020). These statistics further illustrate the growing number of beneficiaries and the relatively stagnant number of workers, which accounts for the declining worker-to-beneficiary ratio. As this ratio continues to decline, the program's funding will continue to become less and less sufficient.

Fiscal Environment

Population growth, change in the eligible population, and the prevalence of disability are factors that influence the Social Security program size (*Social Security*). One major demographic trend that has increased the number of beneficiaries is the retirement of the baby boomer generation (Gimpel et al., 2004). In the 2014 census report entitled "An Aging Nation: The Older Population in the United States," it was reported that "between 2012 and 2050, the United States will experience considerable growth in its older population" (Vincent & Velkoff, 2018). The baby boomer generation began turning 65 in 2011, and makes up the majority of this population demographic shift. One of the implications of an aging population is the growth of disability programs and the higher demand for both revenues and expenditures. In line with this trend, the working-age population in the United States increased by almost 50% from 1970 to 2000 (Vincent & Velkoff, 2018). During this time, the number of beneficiaries (including both disabled and retired workers) increased by over 200%. The drastic change in age distribution in the United States can be attributed to not only the baby boomers, but also developments in medical technology, increased life expectancies, improvements in population health, and greater more equitable access to resources (Vincent & Velkoff, 2018).

Another factor causing the increase in the demand trend is the growing number of workers collecting disability payments from Social Security. The number of workers with access to disability insurance coverage has increased at rates nearly twice as fast as the rate of population growth (*Social Security*). Between 1970 and 2003, "the number of workers insured in the event of disability increased by 95%" (Vincent & Velkoff, 2018). According to the research conducted by the Social Security Administration, "this growth indicated that the DI program is likely to grow faster than the population, because workers are being insured by disability at proportionately higher rates" (*Social Security*). This can be widely attributed to the increase of women in the workforce. As it has become more common to have a two-earner household, the number of women in the workforce who have disability protection under Social Security has increased by 176% (*Social Security*).

Benefit	Number (Thousands)
Total	66,026
OASDI	60,497
OADSI only	57,775
SSI	8,251
SSI only	5,529
Both OASDI and SSI	2,722

Figure 4: Beneficiaries Receiving OASDI, SSI, or both (2016)

Source: Annual Statistical Supplement, Social Security Office of Retirement and Disability Policy

In the most recent annual statistical supplement provided by the Social Security Administration, it is reported that there were 170.8 million workers in OASDI covered employment in 2016 with $47,750 in average income. The OASDI taxes are mandatory and workers are unable to opt out of paying the taxes unless their work is sub-rosa, or "under the table". Some of the notable program trends reported are that "71% of the 41.2 million retired workers received reduced benefits because of entitlement prior to full retirement age" (*Social*

Security Administration Research, Statistics, and Policy Analysis, 2017). More specifically, 73.5% of women and 67.9% of men received these reduced benefits. Further, the number of retirement-aged beneficiaries increased from 38.2 million to 44.4 million between 2011 and 2016. (*Social Security Administration Research, Statistics, and Policy Analysis,* 2017).

The Current State of Social Security

The Social Security trust funds are comprised of two separate financial accounts held by the United States Treasury—the Old Age and Survivors Insurance and the Disability Insurance. Respectively, these fund retirement benefits and disability benefits. The sources of funding are payroll taxes, taxation of benefits, and interest earned from investments. The U.S. Treasury invests the program's trust funds into a government-guaranteed special Treasury bond, which gains the market rate of interest. This interest is deposited into each trust fund based on bonds that are held. The Treasury holds the right to redeem the bonds for two reasons—either when they are needed for payment, or when the bonds reach maturity. To further break it down, the funding mechanisms function on an entitlement promise in which current workers are taxed to fund current retiree's benefits—under the assumption that future generations will continue to do the same. Given the nature of the program, tax revenues are contingent on both the proportional number of individuals in the workforce as compared to the number of recipients and the average taxable income at any given time. Thus, demographic changes that impact the worker-to-beneficiary ratio and/ or average salaries affect the program's finances. With the worker-to-beneficiary ratio steadily declining, as previously mentioned in the Revenues and Demands section, the ability to fund the program has gained political importance.

Eligibility to receive Social Security benefits is contingent upon whether the individual is seeking benefits as a worker or based on a disability. As a worker, the eligibility requirements are based on age and work credits. The age of eligibility is currently as early as 62, but the full retirement age is considered 66 and 10 months as of 2021 (*Social Security*). Work credits are the Social Security Administration's method for measuring and operationalizing "work". Work credits are awarded based on an individual's annual earnings with a maximum of four per year. The earnings threshold per work credit is proportional to the general wage levels in a given area. According to the Social Security Administration, "to be eligible for most types of benefits (such as benefits based on blindness or retirement), you must have earned an average of one work credit for each calendar year between age 21 and the year in which you reach age 62 or become disabled or blind, up to a maximum of 40 credits" (*Social Security*).

Program eligibility through Supplemental Security Income (SSI) is based on disability, and is slightly more complicated than eligibility based on worker retirement. The program has rules that govern qualification for disability, with the exception of blindness which is considered a severe disability and typically expedites the process to allow the individual to receive immediate benefits—"if you suffer from total blindness (that is, no light or perception in both eyes), you qualify for six months of 'presumptive blindness benefits while you are waiting for your eligibility decision" (Laurence, 2020). For all other disabilities, the rules entail both how long the individual has worked in the past and how recently. Additionally, the number of required work credits for those seeking disability payments is dependent upon age and time of the onset of the disability in question. Figure 1 depicts the number of work credits needed for individuals born after 1929 based on the age at which they become disabled.

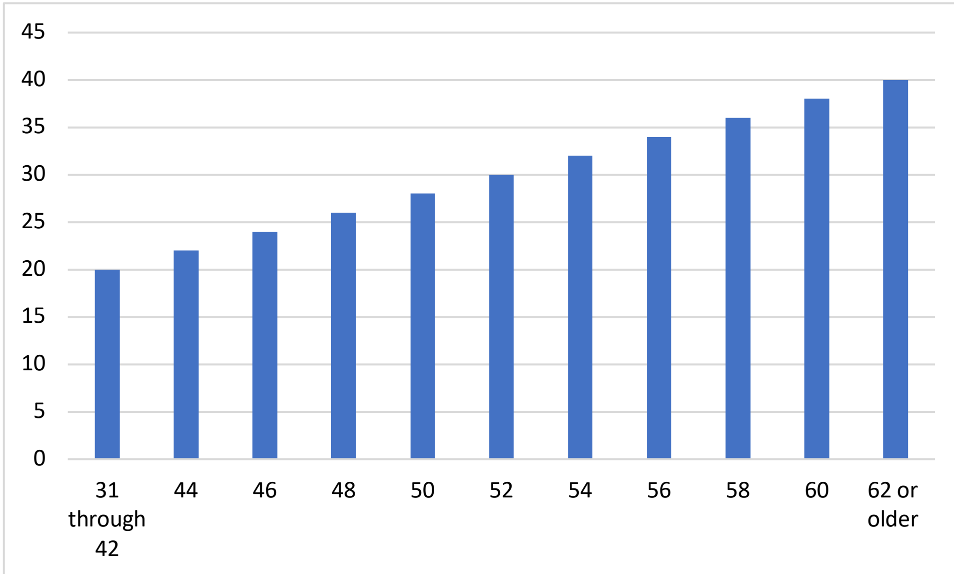

Figure 5: Work Credits Needed
Source: (Understanding Supplemental Security Income (SSI)-- Social Security Entitlement, 2020).

As of 2021, under the current scheduled benefits and revenues, both Social Security and Medicare continue to face long-term financing deficiencies. The annual report from the Social Security Board of Trustees warns that the Social Security trust funds will soon reach insolvency (Goss, 2020). For clarification, insolvency does not mean complete bankruptcy, but instead the inability to pay current benefits at its promised, or entitled, rates. The most recent projections predict that by 2035 the cost of the program will increase to the point at which the trust fund will have enough funds to pay for only around 75% of the scheduled benefits (Goss, 2020). Experts argue that the program's increase in cost "results from population aging…because birth rates dropped from three to two children per woman" (Goss, 2020). Further, this report is based on the previous fiscal year and thus does not "reflect the potential effects of the COVID-19 pandemic," which will likely further hinder the program's funds.

Additionally, the most recent annual report summarized key changes on the long-term assumptions that govern the current projections on the program's solvency. These changes include: "consumer price inflation was reduced from 2.6 to 2.4%, the real interest rate was reduced from 2.5 to 2.3%, [and] the disability incidence rate was reduced from 5.2 to 5.0 per 1000 covered workers" (Mnuchin et al., 2021). In conclusion, the members of the Board of Trustees recognize the approaching shortfalls of the program and call lawmakers to action to find policy options aimed at solving this program. At the end of the report, there is a statement signed by the trustees stating "lawmakers should address these financial challenges as soon as possible" because "taking action sooner rather than later will permit consideration of a broader range of solutions and provide more time to phase in changes so that the public has adequate time to prepare" (Mnuchin et al., 2021).

History of Social Security Reform in the United States

Since the enactment of the Social Security program, there have been many modifications to the original version. At its creation, the benefits were solely awarded to retired workers. The 1939 Amendments then extended the benefits to dependents of the retiree: the spouse and children (*Social Security*). However, at this time there was a limited number of eligible economic sectors, which led to unequal access to benefits among minorities. In 1935, the act was limited to commerce and industry workers, which only encompassed around half of the jobs in the country. Those who were left out were mainly farmers and domestic workers, and "a disproportionate number of African Americans were in these two occupational groups" (DeWitt, 2010a). Thus, the early policy design disproportionately benefited whites. Before 1980, "the choices given on the race/ ethnic question were 'White,' 'Negro,' or 'other'" (Scott, 1999). Later, in 1956 disability payments were added to the program (*Social Security*). Scholars argue that "the Social Security Act was also racially coded— Southern politicians were determined to block any 'entering wedge' for federal interference with the handling of the Negro question" (Lichtenstein et al., 2000). These institutionalized racial disparities continue to impact the program's equity to this day. These impacts will be further discussed later in this section.

In 1972 President Nixon introduced a bill introducing cost-of-living adjustments (COLA), a formula that increased benefits in conjunction with economic inflation (DeSilver, 2020). Shortly after the enactment of COLA, the program began to experience both long-term and short-term budgetary concerns. Short-term concerns resulted from temporarily weak economic conditions, and long-term were due to the shifting age demographics from the baby boom. The 1977 Social Security Amendments addressed these shortcomings by increasing payroll taxes and reducing benefits (*Social Security*). The changes were effective in restoring the program's solvency for an estimated 40 additional years.

The last major reforms passed to Social Security were the 1983 Amendments under President Reagan. The efforts were bipartisan and were accelerated by the estimated remaining six month lifespan of Social Security. This plan for reform was first introduced by Representative Barber Conable Jr., a Republican from New York. These reforms were projected to solve the financing issues in the short-term, lasting a projected 75 years— allegedly maintaining the program until 2050. It was a $168 billion package and successfully "eased the program though a turbulent period" (Light, 2016). The major provisions were "a gradual increase in the age of eligibility for full retirement benefits from age 65 to age 66 in 2009 and 67 in 2027" (*Social Security*). Additionally, the amendments called for the "inclusion of up to 50% of Social Security benefits in the taxable income of higher income recipients and transfer of projected revenues therefrom to the Social Security trust funds" (*Social Security*). Lastly, it delayed cost-of-living adjustments for six more months and increased coverage to all federal civilian employees and most executive appointees and elected officials. Representative Conable warned that this reform "is not a work of art… But it is artful work". (Light, 2016).

Figure 6 below summarizes major policy changes to the Social Security program between 1935 and 2000:

1935	Social Security is enacted.
1939	Social Security Amendments of 1939 create dependent and survivor benefits; they also redistribute benefits toward early participants and away from later participants.
1946	Baby boom begins.
1950	Social Security coverage is extended to several groups, including farm and domestic workers, self-employed persons, and others.
1957	Benefits are first provided to disabled workers.
1964	Baby boom ends; first baby boomers reach age 18.
1972	Automatic cost-of-living adjustments are enacted.
1977	Congress corrects technical flaw in automatic indexing provisions.
1983	Social Security trust funds face exhaustion; Greenspan Commission recommends reforms, many of which are included in the 1983 Amendments; remaining gender distinctions in Social Security are eliminated.
2000	The retirements earning test is eliminated for persons at or above the full retirement age.

Figure 6: Reform Timeline
Source: Weaver & Martin, 2005

The 1939 Amendments, as previously mentioned, extended the benefits to dependent family members who can qualify for benefits based on the worker's work record. According to the Social Security Administration, the following criteria must be met for dependents to qualify for benefits: “if you are receiving retirement or disability benefits, your spouse may qualify if he or she is: age 62 and over; or divorced from you, age 62 or older, and was married to you for at least 10 years prior to your divorce; or under age 62 and caring for a child (under age 16 or disabled prior to age 22) who is entitled to benefits on your work record” (*Understanding Supplemental Security Income (SSI)-- Social Security Entitlement,* 2020).

Despite the progressive reforms of the program, few have been effective in providing a long-term solution for maintaining the program’s solvency. This can be attributed to the foundations of the program itself. The program was originally created to offer a welfare assistance program, and was never intended to serve as an individual’s single source of income (Moffitt, 2015). However, Social Security has become the major source of income for many individuals. Among beneficiaries aged 65 and up, 45% of unmarried individuals rely and 21% of married individuals rely on Social Security for at least 90% of their monthly income. In fact, Social Security benefits makeup one-third of all income of the elderly in the United States today (*Social Security*). Additionally, there are differences in the current benefits levels based on race, gender, and income. Women and racial minorities are statistically paid lower salaries, which results in lower average benefit payments. In recent years, “women aged 65 and older received an average annual Social Security income of $14,353, compared to $18,014 for men” (Lemke, 2021). The disparities are even worse when race is controlled for—“African men age 65 and older received an average annual Social Security benefit of about $16,265 in 2017, compared to African American women who earned about $13,574” (Lemke, 2021).

Experts believe that a financially stable retirement stands on the “three-legged stool of retirement income—Social Security, pensions, and savings” (*Social Security*). However, the aforementioned trend in disproportionate reliance on Social Security as the main source of income for the elderly shows that pensions and savings have not adjusted nor kept up with the benefits from Social Security. It is noted that the "proportion of the elderly receiving income from assets and the share of aggregate income from that source both fell after 1988" (*Social Security*). However, this is likely due to the decreases in savings due to a shift toward more stagnant incomes and the steadily increasing cost of living in the United States, along with an increase in availability of other forms of pensions. Reflective of the trends mentioned above, the program has experienced exponential growth since its creation and is now unequipped to survive in the long term. Action must be taken quickly in order to renew the program's solvency.

Public Opinion

Social Security is often considered the "third rail of American Politics", a metaphor for a policy issue that is dangerous for politicians to alter because public opinion is highly united behind the program (Newport, 2020). Recent research displays a significant opposition to reduction of benefits (Newport, 2020; Desilver, 2020; Parker et al., 2019; Shaw & Mysiewicz, 2004). According to the Pew Research Center, 74% of Americans oppose the reduction of Social Security benefits. This consensus is the majority across a number of demographics, including age, level of education, and political party, as shown in Figure 2, 3, and 4 (Desilver, 2020; Parker et al., 2019). However, despite public desire to maintain benefits, the public lacks confidence in the government's ability to do so. Specifically, in 2018 the Pew Research Center conducted a survey gauging public predictions on the future solvency of the program. The survey asked non-retired adults "when you are ready to retire, Social Security will provide benefits at: current levels, reduced levels or no benefits" (Parker, et al., 2019). The findings showed that among all adults, 16% answered current levels, 42% answered reduced levels, and 42% answered no benefits. Thus, both public support for the program and public distrust in the government encourages policy makers to prioritize reform on the political agenda. Similarly, there is increasing pressure for public officials to act in such a way that is both feasible and reflective of public preferences.

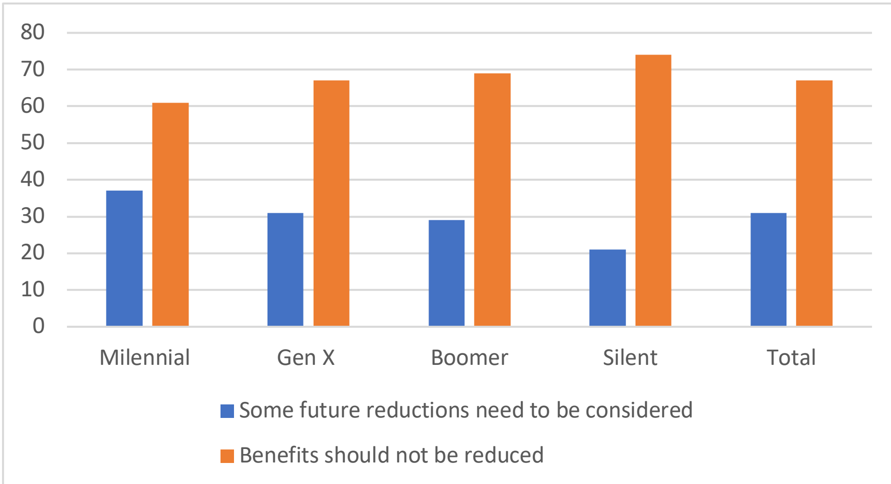

Figure 7: Level of Support for Future Benefit Reduction by Generation
Source: Pew Research Survey, Jan. 23- Feb. 9, 2014

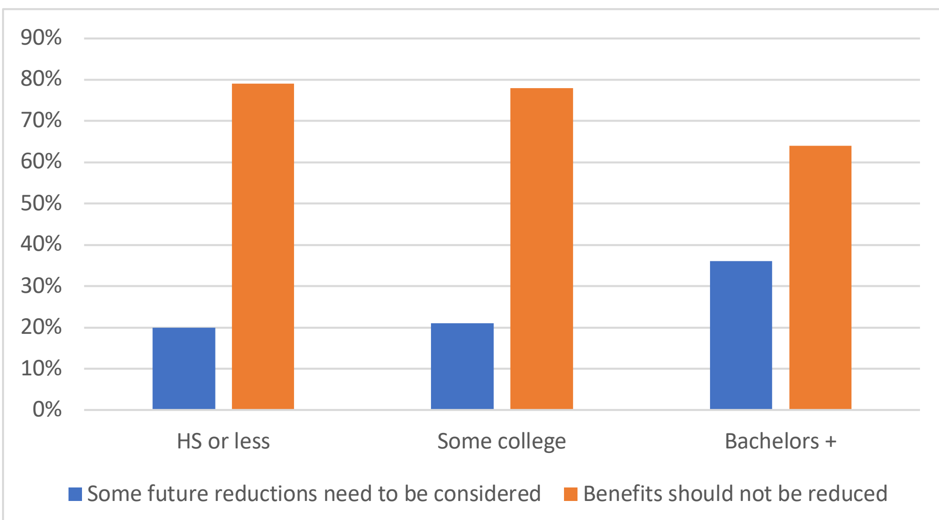

Figure 8: Level of Support for Future Benefit Reduction by Level of Education
Source: Pew Research Survey, Dec. 11-23, 2018

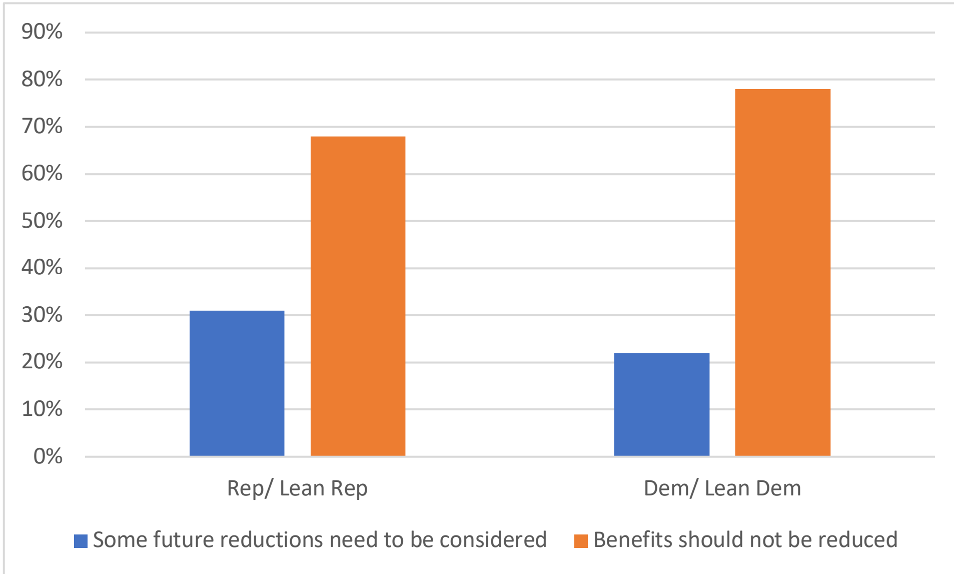

Figure 9: Level of Support for Future Benefit Reduction by Party Ideology
Source: Pew Research Survey, Dec. 11-23, 2018

Due to current projections of the program's looming insolvency, Americans of all ages are skeptical that the program will remain solvent in the next 20 to 40 years. According to public opinion polls from 2018, "about four-in-ten Americans say, by the time they retire, Social Security won't have enough money to provide benefits" (Parker et al, 2019). However, age does have a significant impact on individual response. Age and level of skepticism are negatively correlated: level of skepticism rises as age of respondent decreases. As shown in Figure 2, 48% of Americans between the ages of 18 and 50 believe they will not receive any Social Security benefits at the age of 65. Those who are older than fifty are slightly more optimistic, with only 28% expecting to receive no benefits. Overall, the general prediction is that Americans will either receive benefits lower than current levels or no benefits at all.

Level of education also plays a role in shaping individual views on the program's future reform. According to the same research from the Pew Research Center, "roughly a third of those with a bachelor's degree or more education (36% say benefits will have to be reduced for future retirees [while] only about one-in-five (21%) of those with less education agree" (Parker et al., 2019).

Public opinion based on political party affiliation is relatively united, with the majority of individuals who identify as both Republicans (68%) and Democrats (78%) agreeing that future cuts should not be made to benefits (Parker et al., 2019). However, when analyzing these results it is important to note that the survey question was normative—people tend to feel entitled to the benefits because his or her income has been taxed for this program under the promise that the government will return the favor upon retirement. Thus, although it is the majority consensus that it would be unjust for individuals not to receive this federal entitlement, there is also an understanding that the program is failing. Democrats and Republicans have slightly different opinions on whether or not it is necessary to cut future benefits as part of the program's reform. When surveyed, 31% of Republicans say that "reduction in future benefits are inevitable" versus 22% of Democrats.

Scholars have analyzed public trust of the government surrounding Social Security and the availability of factual information (Cook et al., 2010; Moskowitz, 2018; Newport, 2020). The general conclusion of these works shows that public support for Social Security is high and individuals tend to hold the government accountable for supporting the elderly. The General Social Survey regularly asks "On the whole, do you think it should or should not be the government's responsibility to provide a decent standard of living for the old?" (Smith et al., 2018). Since 1985 when the survey began, over 80% of respondents agreed that supporting the elderly should be the responsibility of the government (Moskowitz, 2018). However, public opinion can be swayed depending on the availability of information, political involvement, and individual knowledge of government activities. Research suggests that "citizens' evaluations of government institutions echo, in part, the quality and quantity of information distributed to them" (Cook et al., 2010) Currently, political trust in the United States is relatively low, which can hinder the ability to solve some of the country's problems (Rainie & Perrin, 2020). According to the Gallup poll in 2019, 60% of Americans reported trusting the government to handle domestic issues "not very much" or "none at all" (Gallup, 2020). Further, peoples' concern about the program can be expanded to trust in government, which points to one main reason why individuals should care about the Social Security problem—individuals rely on the Government to protect their financial assets and entitlements. According to Cook, Jacobs and Kim (2010, p.399) "Explaining the connection of information to the public's knowledge and confidence requires an integrated framework that accounts for both differences across individuals in their dispositions and skills and the extent to which factually relevant information is communicated to them." Thus, it is important to recognize that reports of public opinion using individual surveys, like the aforementioned Gallup and Pew Research Center polls, can be swayed due to availability of information. For example, an individual who lives with a current Social security recipient is more likely to have confidence in the program due to both direct exposure to "its concrete benefits" and "indirectly by prodding them to learn about it" (Cook et al., 2010).

The main takeaway from the public opinion evidence is that there is not only a need for reform, but also constraints in the policy design. Although there are clear solvency concerns within the Social Security program, public opinion shows that the majority opposes benefit cuts. Individuals trust that the government will ensure social wellbeing in old age. However, the program itself is facing long-term funding deficits and future insolvency. Thus, reform should take into account these preferences of the majority of Americans—to maintain benefits at their promised rates. The policy design of a pay-as-you-go system places limitations on the reform options that are both available and preferred. Thus, policy makers must recognize these limitations and balance individual preferences with the inherent policy constraints in order to enact a policy that is reflective of public opinion.

Chapter 1 Conclusion

The literature review discussed the program history of Social Security, past reform attempts, public opinion, and the programs finances in order to set the stage for both problem definition and policy recommendations on how to ensure the program's solvency in the future. With program insolvency approaching, it is evident that there is a problem that requires reform. However, recent effective reform efforts are limited—in recent years, numerous efforts to reform Social Security have been proposed, but none have made it through Congress and into law. The major types of reforms include increasing the age of eligibility, privatization of the program, increasing the taxable maximum, and adjusting the cost-of-living formula. Additionally, Democrats tend to offer different proposals for reform than Republicans, arguing that one of the best methods is to increase the payroll tax from 6.2% to 7.4% and increasing the taxable maximum (Wilson, 2001). On the other hand, Republicans have advocated for privatization (first proposed by President George W. Bush) and slowly increasing the full retirement age (FRA) from 65 to 70 (Burtless, 2017). The failure to come to an agreement on how the problem has been framed is a major roadblock in passing legislation.

Generally, Democrats seek to expand the program's benefits while raising taxes on higher incomes. On the other hand, Republicans widely oppose tax increases and seek to remove restrictions on earnings and benefits. Despite these differences, it is evident that, in order for a reform to pass, the two parties will have to compromise. If they are unable to do so, the program will inevitably reach insolvency in upcoming years. The next chapter utilizes Kingdon's Multiple Streams Model in order to understand both how to gather attention for policy change, and the conditions that must likely occur to place Social Security on the political agenda.

CHAPTER TWO: Kingdon's Multiple-Streams Approach

This chapter utilizes John Kingdon's Multiple-Streams Approach to assess the likelihood that Social Security reform will reach the institutional political agenda. First, I explain the multiple-streams approach and its relevance, as well as how it has been utilized overtime. Next, I outline and compare three recent proposals to reform (the "Save Social Security Act of 2017", the "Social Security for Future Generations Act of 2017", and the "Social Security 2100 Act") in order to select the one with the most momentum. Finally, I use the Multiple Streams Framework to analyze the policy with the most momentum in order to display the conditions that will increase the probability of policy adoption in the near future.

An Overview of Kingdon's Multiple Streams Approach

Kingdon's *Agendas, Alternatives, and Public Policies* (1984) is a key influence on the understanding of the policy process within the realm of political science. Due to the increasingly turbulent nature of global affairs, "the Multiple Streams Framework (MSF) is fast becoming a major tool with which to analyze the policy process" (Sabatier et al., 2018). Kingdon's work is the first to consider how issues are placed on the political agenda by offering a framework explaining the conditions necessary for a given policy area to be addressed. In their literature review, Cairney & Jones (2015) argue that the multiple streams approach "remains a key reference point in the public policy literature" and has been applied to policy areas including national, subnational, and international policymaking across numerous countries including the United States, the EU, Canada, China, and India (Cairney & Jones, 2015). Using his multiple-streams framework, Kingdon answers questions: How do policy problems get officials' attention? How are policy alternatives chosen? How is the agenda set? What makes a policy important in any given time? (Kingdon, 1984).

In order to understand agenda setting, we must first make the distinction between the systemic agenda versus the institutional agenda. Issues on the systemic agenda tend to affect a large number of individuals and merit government action, while issues on the institutional agenda are actively being addressed by policy actors. Even if issues are on the systemic agenda, they do not always make it onto the institutional agenda. Many of the issues that reach the systemic agenda are those that are mandated by the government, such as annual budgets and action on executive appointments (Saetren, 2016). However, like many other issues, Social Security reform is considered an optional issue, and thus must compete against numerous other issues for policy attention. This creates a political battle between what optional issues are going to gather public attention, be placed on the policy agenda, and receive potential policy action. In an attempt to explain this optional-issue dilemma, Kingdon introduced three sets of independent actions in society that must intersect to generate political attention. (Cairney & Jones, 2015). Rather than attempting to understand the policy process as a linear or sequential process where an issue is produced, a policy is formulated, and officials try to garner political support, Kingdon argues that the three elements must exist simultaneously in order for issues to reach the political agenda and for policy changes to occur. He calls these elements his three "streams:" problems, policy, and politics (Kingdon, 1984).

Kingdon developed the Multiple Streams Approach to explain agenda setting, but it has been modified over time and has been applied to policy adoption (Herweg et al., 2018). The previously cited Cairney and Jones literature review also reports a positive trend in the empirical application of the MSA framework, with around three-hundred applications between 2000 and 2013 in peer-reviewed journal articles (Cairney & Jones, 2015). One factor that has likely driven this increase in MSF empirical applications in recent years "could be that the conditions under which policies are made increasingly resemble the framework's assumptions—particularly in contexts for which the MSF originally had not been developed" (Herweg et al., 2018). These conditions are categorized by problems that are highly contested, ambiguity in political ideologies, and fragmentation of the party system. As previously mentioned, this framework was originally developed to analyze the agenda setting process, but it has been expanded into different contexts—it can be applied to other stages of the policy process including decision making, implementation, and policy adoption analysis (Herweg et al., 2018).

The Problems Stream

The problems stream refers to the evidence produced from available information, reports, and studies on the significance of the problem at hand. It focuses on the target population of the issue at hand—who is affected and how. Some examples of valuable resources are government reports and academic studies because "they are released frequently and can assess the magnitude of the problem, both in terms of how serious it is and how widespread" (Kraft & Furlong, 2016). Many of the issues that reach the political agenda are widespread and time-sensitive. For example, issues that can pose a threat to society are able to gain attention quickly, like infrastructure safety and nuclear power plants. Further, if the private sector is unable to provide a solution for a pressing issue, then it will often reach the political agenda. For example, "the private sector cannot deal to any great extent with poverty in the United States or provide Social Security for the elderly" (Kraft & Furlong, 2016). However, just because the private sector is not always able to provide reform to the extent that the government can, it does not necessarily mean that the government will successfully address issues in a meaningful way. Thus, these issues are all candidates for the federal policy agenda, but their solution is contingent upon the government's response.

Additionally, Kingdon asserts that focusing events also helps problems gain political attention. Focusing events include crises, such as natural disasters and pandemics, and other powerful symbols and personal experiences (Kingdon, p.197). These crises, like the Covid-19 pandemic, not only receive widespread media attention, but also affect a large number of individuals. Further, "these focusing events are sometimes linked to powerful national priorities, such as defense, public safety, and public health, that may spur government action" (Kraft & Furlong, 2016). In summary, the problem stream is when a private problem transitions into a problem that requires government intervention and hopefully is actively addressed by policy actors.

The Policy Stream

The policy stream refers to the possible alternatives to the problem. One major aspect of agenda setting is recognizing what can be done to solve the problem. Policy ideas and proposals are developed by legislators, their staffs, executive agency officials, interest groups, academics, and policy analysts. When these influential individuals address an issue at hand, it tends to gain momentum. One example is trial balloons, which are potential solutions that are floated and discussed to see how they are received in the public and among policy makers. Trial balloons are floated through numerous forms—press releases, academic and political speeches, legislative proposals, and committee hearings. When these policy proposals and alternatives are introduced effectively, they "tend to circulate within the specialist communities, or issue networks, of those most concerned about the problem, and with the public through books, magazines, the broadcast media, and the internet" (Kraft & Furlong, 2016). Kingdon believes that only the fittest ideas survive, meaning those that are consistent with the current political environment and are economically and technically feasible tend to make it through the trial balloon process (Kingdon, p.131).

According to Kingdon, “the generation of policy alternatives is best seen as a selection process, analogous to biological natural selection” (Kingdon, p.200). Kingdon compares policy proposals to the biological process of natural selection, arguing that before a policy can be placed on the agenda, it must begin as an idea—which slowly evolves overtime, some surviving and some dying. These policies float around in what he calls the “policy primeval soup”. He explains this concept with an analogy:

> “Picture a community of specialists: researchers, congressional staffers, people in planning and evaluation offices and in budget offices, academics, interest group analysis. Ideas float around in such communities. Specialists have their conceptions, their vague notions of future directions, and their more specific proposals. They try out their ideas on each other by going to lunch, circulating papers, publishing articles, holding hearings, presenting testimony, and drafting and pushing legislative proposals” (Kingdon, p.116).

Biologists call the space in which molecules float around “primeval soup”, and Kingdon applied this concept to the policy process. As he wrote, ideas float around in different communities before gaining enough exposure to be recognized and introduced as a policy solution, similar to how molecules float around in space before finding a purpose. Over time, different policies gain momentum and then fade, and the process repeats itself over and over again. Kingdon refers to this step as “softening up”, in which “ideas are floated, bills introduced, speeches made: proposals are drafted, then amended in response to reaction and floated again” (Kingdon, p.117). These ideas collide like molecules and build upon one and other.

The Political Stream

The political stream also focuses on elements that affect policy change, such as the political environment, public preferences, legislative turnover, and advocacy efforts. Whether the national mood supports the need for change or not is a large indicator of whether the policy at hand will gather attention and support (Kingdon, p.146). If the political environment does not reflect the ideals behind a given policy change, then it will not likely reach the agenda. Further, if interest groups are strongly mobilized and actively lobbying on behalf of an issue, it will likely be noticed. Interest groups impact policy preferences by arguing for political action on behalf of the people. Politicians are likely to listen to public preferences, especially when seeking reelection. Kingdon argues that the national mood is sensed in two ways; "first, elected politicians judge their constituents' mood from such communications as mail, town meetings, smaller gatherings, and delegations of people or even individuals coming to them during their office hours in the district" and "second, nonelected officials tend to sense the national mood from what they hear from politicians" (Kingdon, p. 149). The President also has a large influence on the political mood of the public, and legislative turnovers generally foster certain ideological changes. Ronald Reagan's presidency illustrates the impact of legislative turnovers—his election "abruptly changed the political climate by greatly increasing the acceptability of conservative policy ideas" (Kraft & Furlong, 2016). Thus, under conservative leadership, it is often easier to advocate for conservative policies and vice-versa. Within the realm of the political stream, it is very important to be able to decipher and adjust to political mood. In doing so, political leadership will more likely address the problem and hopefully propose more feasible policy options; which gives issues a better chance of gaining attention and support on the institutional agenda.

Assumptions of the Multiple Streams Approach

Kingdon's Multiple Streams Approach functions under assumptions that were inspired by Cohen, March, and Olsen's garbage can model of organizational choice (Cohen et al., 1972; Herweg et al. 2018; Kingdon, p.84). Cohen et al. coined the term "organized anarchies" which are “characterized by problematic preferences, unclear technology, and fluid participation” and include entities such as universities, national governments, and international organizations (Cohen et al., 1972; Herweg et al., 2018). As a result, Kingdon’s MSF has basic assumptions modeled after the garbage can model that “deal with ambiguity, time constraints, problematic preferences, unclear technology, fluid participation, and stream independence” (Herweg, et al., 2018). In order to understand how the Multiple Streams Framework can be applied to Social Security Reform, we must first understand its basic assumptions. The following sections briefly summarize the basic assumptions of the framework set forth by scholars (Cairney & Jones, 2015; Herweg, et al., 2018; Scott, 1987; Zahariadis, 2017).

Ambiguity

The Multiple Streams Framework avoids identifying a single solution in order to minimize the potential for bias and assumption. Instead of gearing the analysis toward one predetermined policy solution, the framework takes a more neutral approach so that different policies can be equally applied to the framework. This allows for more solutions to be considered when assessing any given problem, rather than gearing efforts solely toward one rational problem solution. As mentioned in *Ambiguity and Multiple Streams,* “ambiguity facilitates taking appropriate action and shaping preferences without a priori estimating the consequences” (Zahariadis, 2017).

Time Constraints

As with most scholarly endeavors, the policy process has inherent time constraints that must be navigated in order to find a balance between thoroughness, other commitments, and deadlines. As summarized by Herweg et al., “policy makers operate under significant time constraints and often do not have the luxury of taking their time to make a decision” (Herweg et al., 2018). Reasons for time constraints include the severity of the issue and its demand for a response, deadlines for proposals, and cognitive limitations which allows individuals to focus on one thing at a time.

Problematic Policy Preferences

According to Herweg et. al., “problematic policy preferences emerge in the presence of ambiguity and time constraints” and “how actors think about an issue depends on its overarching label (like health, education, politics, or morality) and on the information that has been taken into account” (Herweg et al., 2018). Thus, the preferences of policy makers can be unclear because they are attempting to avoid bias and do not tend to express their ideological opinion on specific policies.

Unclear Technology

In organizational theory literature, “technology has been defined as the means, activities, and knowledge used to transform materials and inputs into organizational outputs (Scott, 1987). Essentially, failure to understand the bigger picture and how smaller parts play a role in the overall goals or missions of a given entity results in unclear technology. This assumption is relevant in Kingdon’s MSA framework because, “in political systems,… jurisdictional boundaries are unclear, and turf battles between different departments or agencies are common” (Herweg et al., 2018).

Fluid Participation

The assumption of fluid participation entails the revolving nature of legislative positions due to term limits and frequent elections. According to Herweg et. al., “fluid participation means that the composition of decision making bodies is subject to constant change—either because it varies with the concrete decision to be made or because turnover is high” (Herweg et al., 2018).

Even if a policy problem is a priority for one legislator, he or she has a limited amount of time in office and thus may not achieve reform before leaving office. Thus, fluid participation can complicate and slow down the policy process.

Stream Independence

The final mentioned assumption of the MSA model is stream independence, in which each of the three streams are assumed to function separately and independently. The problems stream, "most obviously in the case of unpredictable problems like those caused by natural disasters, occur regardless of political developments or available policy solutions". On the other hand, "in the political stream, the mode of interaction is bargaining; [while] in the policy stream, it is persuasion" (Herweg et al. 2018). The actors within the policy stream tend to advocate for approval of the policy solutions available while the actors within the political stream tend to focus on mobilization in the form of lobbying, research, and other methods of persuasion.

Stream Convergence and Windows of Opportunity

As illustrated by the name "multiple-streams framework", when the problem, policy, and political streams converge for any given policy issue, the issue is much more likely to reach the political agenda. Figure 10 below illustrates stream convergence within the MSF. Placement on the political agenda is often one of the most difficult tasks for any policy issue. An issue that is widespread, time-sensitive, well-received, and matches the political climate has a much greater chance of being recognized as important. The windows are only open for a short period of time, which emphasizes the importance for policy entrepreneurs to seize the opportunity to act upon a policy problem in a timely manner. The time-bound nature of the windows of opportunity is an important insight that Kingdon added to the policy process—support and feasible policies must exist simultaneously with a problem definition in order to get the issue on the agenda

(Zohlnhöfer & Rüb, 2016). Otherwise, it is easier for legislators to put the issue on the backburner and procrastinate on finding solutions. Not only do policy entrepreneurs need to capitalize on the opportunity when the Kingdon's three streams converge, but they also play an important role in coupling the streams. According to Kingdon, these policy entrepreneurs are the most important actors in multiple-streams framework because they are tasked with presenting their policy issue to policymakers at the right time. Kingdon describes policy entrepreneurs as "advocates who are willing to invest their resources—time, energy, reputation, money—to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits" (Kingdon, p.179).

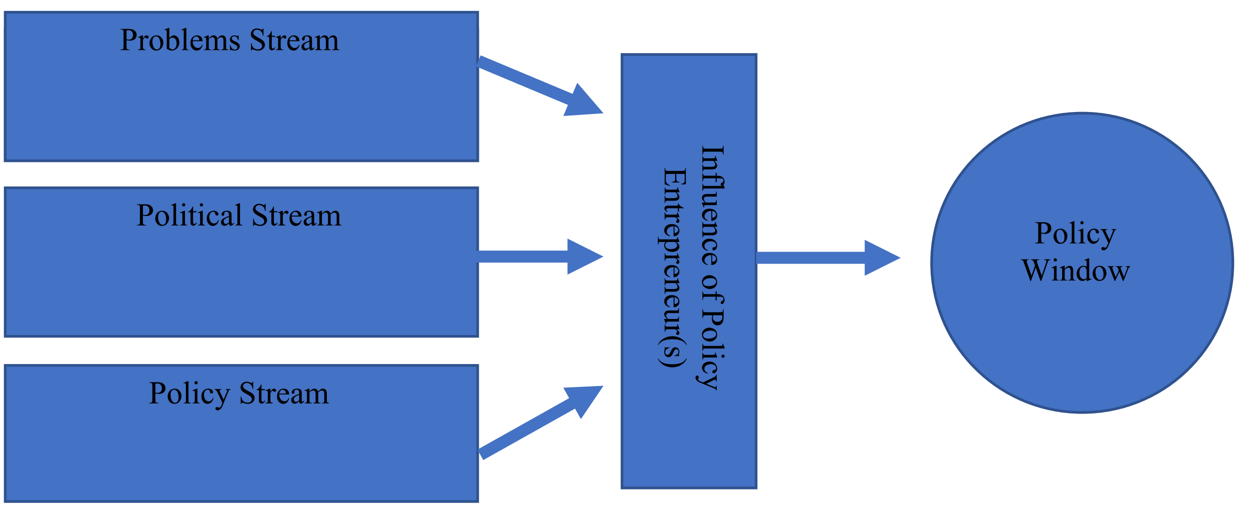

Figure 10: Stream Convergence

As discussed in Chapter 1: Literature Review, the issue of Social Security Reform has been on the systemic agenda for years, but is not currently on the institutional agenda. In order to analyze Social Security reform through a multiple streams approach to agenda setting, it is productive to focus on specific past reforms. Additionally, looking at past policy failures through the lens of the MSA helps determine under what circumstances Social Security can get on the institutional agenda in the future—specifically by determining what was missing in the past within each of the three streams. This way, the stage will be set for what has worked in the past and how to best provide recommendations for the future. For the sake of this thesis, I will be looking at both the most recent efforts to reform Social Security, and what I believe to be the most influential set of reforms.

In recent years, numerous reform acts have been introduced, but none have gained enough momentum to be put into law yet. It is important to note, however, that simply being introduced in Congress (or any other decision making body) is not synonymous with being on the institutional agenda and does not align with the goal of policy implementation—many policies that are introduced later die in committee. To meet the institutional agenda, a policy must be actively and seriously up for consideration. In this section, I will be discussing the "Save Social Security Act of 2017", the "Social Security for Future Generations Act of 2017," and the "Social Security 2100 Act". Additionally, I will discuss the available memorandums from the Office of the Chief Actuary, which provide an actuarial analysis of the forecasted effect on the financial stability of the Social Security program.

These three specific reform proposals were selected because they all seek to amend the internal revenue code of Social Security in some capacity in order to enhance the program's solvency. Additionally, they provide a snapshot of the options being considered; as there are many different bills that are similar in that they have the same overarching goal in mind—to mend the solvency problem within the Social Security program. One of the most common reform proposals is to increase the taxable maximum to increase the program's revenues. Some proposals also seek to alter the calculation formula for the cost-of-living adjustments, increase access to benefits, and ultimately, elongate the program's solvency to varying degrees. Thus, the three specific proposals analyzed in this thesis showcase various methods of reform and their projected ability to enhance the program's solvency. By delving into three specific proposals, the reader can gain a deeper insight into the different reform options that are on the table, and what kinds of reforms might be feasible in the near future.

The Save Social Security Act of 2017

The "Save Social Security Act of 2017" was introduced in the House on March 20th, 2017 by Representative Charlie Crist (D-FL). This bill proposes to amend the Internal Revenue Code and Title II of the Social Security Act to: "apply Social Security payroll taxes to annual income above $300,000; include earnings above $300,000 in the benefit formula; and increase to $100,000 the income threshold above which Social Security benefits are included in gross income" (Crist, 2017). This proposal would raise the amount of income that is taxed under the Social Security payroll tax – under current law, only the first $127,000 of an individual's income is taxed. Additionally, "benefits are included in the gross income of individuals with certain income that exceeds thresholds of $0, $25,000, or $32,000 depending on the individual's filing status" (*Save Social Security Act of 2017,* 2017). This bill has not had any momentum recently and was last referred to the House Committee on Ways and Means in 2017. As of the publication of this thesis, the Congressional Budget Office has not provided a cost estimate for this bill.

On August 2nd, 2017, the Office of the Chief Actuary issued a memorandum in response to the request for estimates on the financial effects of the "Save Social Security Act of 2017". According to the estimates, if this proposal were enacted, "the projected trust fund reserve depletion year for theoretical combined OASDI and DI Trust Funds would be extended [from 2035] to 2064" (*Save Social Security Act of 2017,* 2017). The following list of suggested provisions was sent to Representative Crist:

> Section 2: Apply the combined OASDI payroll tax rate on earnings above $300,000, effective for 2018 and later. Tax all earnings once the current-law taxable maximum exceeds $300,000.

Section 3: Provide benefit credit on earnings taxed above the current-law taxable maximum. The primary insurance amount (PIA) would be augmented using an "AIME+" method.

Section 4: Replace the current-law thresholds for federal income taxation of OASDI benefits with a threshold of $100,000 for single filers and married taxpayers filing jointly and a threshold of $50,000 for married taxpayers filing separately, for taxation of up to 85 percent of OASDI benefits, effective for tax year 2018.

The purpose of these suggested revisions were to alter the proposal to be more effective in extending the program's solvency and thus more likely to make it past the committee stage.

Social Security for Future Generations Act of 2017

The Social Security for Future Generations Act of 2017 was introduced in the House on June 8th, 2017 by Representative Al Lawson (D-FL). The bill proposed to amend the Internal Revenue Code of Social Security "to apply employment and self-employment taxes to remuneration up to the contribution and benefit base ($127,200 in 2017) and to remuneration in excess of $250,000 beginning in calendar years after 2017" (Lawson, 2017). Remuneration is payment for work, which includes both an individual's base salary, annual bonuses, and any other financial benefit. Essentially, this bill proposes to tax all income up to the taxable maximum, and all income that surpasses $250,000—giving a tax break to those in the middle. Further, this bill would include the Consumer Price Index for Elderly Consumers (CPI-E) when calculating cost-of-living adjustments. Currently, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is used to calculate cost-of-living adjustments, which has an average annual increase of 2.7% (*The CPI-E: A Better Option for Calculating Social Security COLAs,* 2020). However, "using the CPI-E to determine the Social Security COLA would increase the expected average COLA by about 0.2 percentage points per year" (*The CPI-E: A Better Option for Calculating Social Security COLAs,* 2020). This bill also would make full-time students who are the children of workers receiving benefits eligible as dependents. Lastly, it would increase the benefit amount for both widows and low-wage workers (*Social Security for Future Generations Act of 2017,* 2017). The most recent action on this bill was June 20th, 2017 when it was referred to the Subcommittee on Social Security. As of the publication of this thesis, the Congressional Budget Office has not provided a cost estimate for this bill. However, Representative Lawson sent in a request to the Office of the Chief Actuary for an estimate of the financial effects of the proposed act.

On June 8th, 2017, the Office of the Chief Actuary issued a memorandum discussing the probable effects of the bill. The memorandum states that if the proposal were to be enacted, "the projected trust fund reserve depletion year for the theoretical combined OASI and Di Trust Funds would be extended to 2049" (*Social Security for Future Generations Act of 2017,* 2017). The following list of suggested provisions was sent to Representative Lawson:

> <u>Section 2 and Section 3:</u> Apply the combined OASDI payroll tax rate on covered earnings above $250,000 paid in 2018 and later. Tax all covered earnings once the current-law taxable maximum exceeds $250,000. Credit the additional earnings that are taxed for benefit purposes by: (a) calculating a second average indexed monthly earnings ("AIME+") reflecting only additional earnings taxed above the current-law taxable maximum, (b) applying a 2-percent factor on this newly computed "AIME+" to develop a second component of the PIA, and (c) adding this second PIA component to the current-law PIA
> <u>Section 4:</u> Use the Consumer Price Index for the Elderly (CPI-E) increase rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increase to calculate the cost-of-living adjustment (COLA), effective for December 2019 and later COLAs. We assume this change would increase the COLA by an average of 0.2 percentage point per year.
> <u>Section 5:</u> Beginning in 2018, extend student benefits up to attainment of age 23 for children of disabled, retired or deceased workers, if the child is a full-time student in high school or below, college, or vocational school.
> <u>Section 6:</u> Increase the special minimum PIA, beginning for workers who become newly eligible for retirement or disability benefits or die in 2018 or later. For workers becoming newly eligible or dying in 2018, the minimum initial PIA for workers with 30 or more years of coverage (YOCs) is 125 percent of the annual poverty guideline for a single individual published by the Department of Health and Human Services for 2017, divided by 12. For

workers becoming newly eligible or dying after 2018, the minimum initial PIA is increased by the growth in the national average wage index (AWI).

Section 7: Establish an alternative benefit for surviving spouses. The alternative benefit would equal 75 percent of the sum of the survivor's own worker benefit and the deceased worker's PIA (including any actuarial reductions or delayed retirement credits (DRC)). If the deceased worker died before becoming entitled, use the age 62 actuarial reduction if deceased before age 62, or the applicable actuarial reduction/DRC for entitlement at the age of death if deceased after 62. An upper limit is applied for the alternative benefit amount.

Similar to the provisions of the "Save Social security Act of 2017," the purpose of these provisions are to illustrate the outcomes of the proposal and how it would fit into the Social Security reform. According to the report, the proposal is estimated to extend the program's solvency through 2048. It would allow for 100% of benefits to be paid until 2048, 90% of benefits to be paid in 2049, and approximately 83% through 2090 (*Social Security for Future Generations Act of 2017,* 2017). Further, "enactment of the six provisions of this proposal would change the long-range OASDI actuarial deficit from 2.6% of taxable payroll… to 1.25%" (*Social Security for Future Generations Act of 2017,* 2017).

The Social Security 2100 Act

The Social Security 2100 Act was introduced in the House on January 30th, 2019 by Representative John Larson (D-CT). The bill proposes to increase OASDI benefits and along with the taxes that fund the benefits. It proposes to increase benefits in numerous ways—by raising the beneficiary income at which Social Security benefits are taxable, increasing the minimum benefit received, and increasing the percentage of the average indexed earnings that is used to calculate benefit amounts (*Social Security 2100 Act,* 2019). In order to fund these increases, the bill proposes to raise the taxable maximum to include incomes above $400,000 and increase the tax rates of the FICA tax on payroll and self-employment. According to Larson, this bill also "establishes the Social Security Trust Fund, which replaces the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" (Larson, 2019).

Further, it would utilize a new cost-of-living formula from "the current one which measures inflation for the population at large (CPI-W) to another formula which measures inflation for the elderly population specifically (CPI-E)" (*H.R. 860: Social Security 2100 Act*). As enumerated in the bill itself, "The Bureau of Labor Statistics shall publish a Consumer Price Index for Elderly Consumers, which the SSA shall use to calculate cost-of-living adjustments to benefits" (Larson, 2019).

On October 10th, 2019 the Congressional Budget Office issued a letter to Representative John Larson addressing the cost estimates for the Social Security 2100 Act. In this report, the CBO and the Joint Committee on Taxation analyzed the financial, budgetary, and long-term effects of enacting the bill. Additionally, they consider modifications of the bill where "a portion of the income taxes collected on Social Security benefits would be transferred to the Medicare Hospital Insurance (HI) Trust Fund in the same manner and amount as under the current law" (*Social Security 2100 Act,* 2019). Further, the CBO and JCT estimates that the current baseline projection for the enactment of The Social Security 2100 Act would:

> Increase Social Security benefit outlays by $386 billion
>
> Increase federal revenues by $911 billion, the net effect of a decrease in on-budget revenues of $747 billion and an increase in off-budget revenues of $1.658 trillion; and
>
> Reduce the federal deficit by $525 billion (excluding any effects on direct spending for programs other than Social Security). (Swagel, 2019).

The purpose of the CBO's report is to assist the House and Senate Budget Committees in determining the way in which legislation would affect the budget. It provides cost estimates and how much the bill would likely affect the deficit. According to the report, "over the next 75 years [the bill] would increase Social Security revenues more than it would increase benefits, substantially reducing the funding shortfall that is currently projected" (Swagel, 2019). In terms of the scope of analysis, the CBO and JCT reported their assumption that the modified version of the bill would be enacted in fall of 2019. Because this did not happen, the estimates are not entirely accurate, but provide a good gauge for the economic feasibility of this proposal.

On September 18th, 2019, the Office of the Chief Actuary issued a memorandum in response to the request for estimates on the financial effects of the Social Security 2100 Act. According to the memorandum, they estimate that, if the act was signed to law, then the Social Security Trust Fund would remain solvent for the 75-year projection of the act. Additionally, "under this proposal the OASDI program would meet the further conditions for sustainable solvency, because projected combined trust fund reserves would be growing as a percentage of the annual cost of the program at the end of the long-range period" (Glenn et al., 2019). The following list of suggested provisions was sent to Representative Larson:

> Section 101: Increase the first PIA formula factor from 90 percent to 93 percent for all benefits payable for months of entitlement January 2020 and later, including benefits for those becoming newly eligible both before and after January 2020.
> Section 102: Use the Consumer Price Index for the Elderly (CPI-E) increase rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increase to calculate the cost-of-living adjustment (COLA), effective for December 2019 and later COLAs. We assume this change would increase the COLA by an average of 0.2 percentage point per year.
> Section 103: Increase the special minimum PIA, beginning for workers who become newly eligible for retirement or disability benefits or die in 2020 or later. For workers becoming newly eligible or dying in 2020, the minimum PIA for 2020 for workers with 30 or more years of coverage (YOCs) is 125 percent of the annual poverty guideline for a single individual published by the Department of Health and Human Services for 2019, divided by 12. For workers becoming newly eligible or dying after 2020, the minimum PIA for their initial year of eligibility is increased by the growth in the national average wage index (AWI). For all affected workers, the minimum PIA is increased after their year of initial eligibility by the COLA.
> Section 104: Replace the current-law thresholds for federal income taxation of OASDI benefits with a single set of thresholds at $50,000 for single filers and $100,000 for joint filers for taxation of up to 85 percent of OASDI benefits, effective for tax year 2020. These thresholds would be fixed and not indexed to price inflation or average wage increase. The amount of revenue from taxation of OASDI benefits that would be allocated to the HI Trust

Fund will be at the same level as if the current-law computation (in the absence of this provision) were applied. The net amount of revenue from taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund.
Section 201 and Section 202: Apply the combined OASDI payroll tax rate on covered earnings above $400,000 paid in 2020 and later. Tax all covered earnings once the current-law taxable maximum exceeds $400,000. Credit the additional earnings that are taxed for benefit purposes
by: (a) calculating a second average indexed monthly earnings ("AIME+") reflecting only additional earnings taxed above the current-law taxable maximum, (b) applying a 2-percent factor on this newly computed "AIME+" to develop a second component of the PIA, and (c) adding this second component to the current-law PIA.
Section 203: Increase the combined OASDI payroll tax rate to 14.8 percent, fully effective for 2043 and later. The combined rate is increased by 0.1 percentage point each year starting in 2020, reaching the ultimate 14.8 percent rate for 2043 and later.
Section 204: Beginning in 2020, establish a new Social Security Trust Fund by combining the reserves of the separate OASI and DI Trust Funds and managing all future financial operations of the program on a combined basis.

In summary, this act not only strengthens the Social Security trust fund, but also increases benefits by an average of 2%, protects against inflation by improving the cost-of-living formula to better represent the costs incurred by seniors, protects low income workers, and cuts taxes for beneficiaries. Under this act, "the new minimum benefit will be set at 25% above the poverty line and would be tied to wage levels to ensure the minimum benefit does not fall behind" and "over 12 million Social Security recipients would see a tax cut" (Larson, 2019). As discussed, Congress held hearings on the Social Security 2100 Act throughout 2019, but no further action has been taken yet. The latest action was referral to the Subcommittee on Social Security on January 30th, 2019 (*Social Security 2100 Act,* 2019).

A Brief Comparison of The Save Social Security Act of 2017, The Social Security for Future Generations Act of 2017, and The Social Security 2100 Act.

The Save Social Security Act of 2017, The Social Security for Future Generations Act of 2017, and The Social Security 2100 Act are similar in that they each seek to amend the internal revenue code of Social Security to some capacity. Both the Save Social Security Act of 2017 and

The Social Security 2100 Act propose to increase the taxable maximum, while the Social Security for Future Generations Act of 2017 and The Social Security 2100 Act seeks to alter the formula by which the cost-of-living adjustments are calculated to protect against inflation. As previously outlined, The Save Social Security Act of 2017 proposes to increase the taxable maximum to annual earnings up to $300,000, while The Social Security 2100 Act proposes it be raised to $400,000 (from $127,200 at the time of the bill, and $142,800 as of 2021) (Glenn et al., 2019; Swagel, 2019; *Save Social Security Act of 2017,* 2017; Crist, 2017). Conversely, both the Social Security for Future Generations Act and the Social Security 2100 Act take a different approach. Both of these acts propose to replace the current formula for calculating cost-of-living adjustments, the CPI-W (consumer price index for wage earners and clerical workers) with the CPI-E (the consumer price index for elderly consumers) (*Social Security 2100,* 2020*; Social Security for Future Generations Act of 2017,* 2017). According to the projections provided from the Office of the Chief Actuary Memorandum, these three bills would extend the trust fund depletion year from 2035 to 2064, 2049, and 2100 respectively.

As discussed in the Literature Review, the issue of Social Security Reform has been on the systemic agenda for years, but is not currently on the institutional agenda. Kingdon's Multiple Streams Approach seeks to assess how governmental agendas are set—which provides a useful framework in assessing the likelihood that Social Security reform will occur. Granted that the purpose of this thesis is to assess the program's solvency, The Social Security 2100 Act is projected to be the most successful at doing so and will thus be analyzed through the Multiple Streams Framework. This act likely has the most momentum because, in addition to its ability to extend the solvency of the program to 2100, it is also projected to increase benefits outlays, increase federal revenues, and reduce the federal deficit by a large margin—as previously outlined (Swagel, 2019). The next section places Social Security reform within Kingdon's framework and utilizes The Social Security 2100 Act as an example of a reform option based on the fact that it has both the highest projected solvency guarantee and the most cosponsors of any other Social Security reform bill that has been presented in the past five years (*Social Security 2100,* 2019).

A Multiple Streams Approach to Agenda Setting: The Social Security 2100 Act

The problems stream begins to flow when attention is brought to a policy problem, and that problem has a clear and well-defined definition. Some problems gain more momentum than others due to primary two conditions, "the means by which officials learn about the conditions and in the ways in which conditions become defined as problems," which will both be discussed in the next two paragraphs (Kingdon, p.197).

First, the problems stream requires a problem definition. As discussed in Chapter 1, the Social Security Board of Trustees projects that Social Security's trust funds will reach insolvency in 2035, meaning that the program will have insufficient funds to pay scheduled benefits at current rates (*Social Security*). The programs funds are quickly depleting due to many reasons, including the declining worker to beneficiary ratio, the increasing life expectancy, and the increasing number of beneficiaries. Without reform, the payable benefits will be reduced to 75% of scheduled benefits beginning in 2036 (Goss, 2020). By 2083, this number is projected to drop to 73%. Currently, more money is going out of the Social Security Trust Fund in benefits than is coming in through taxes and other revenues. Further, "roughly 10,000 baby boomers are retiring each day, with insufficient numbers of young people entering the workforce to pay into the system and support them" (Heimlich, 2019). Although Social Security needs reform on multiple fronts, including improved access to benefits and an increase in benefit payments themselves, the priority of this thesis is to assess the program's solvency. While these other factors are important considerations within future reform, the priority is to ensure the program can, at the very least, continue to pay individuals benefits at the rates that they are currently entitled to. Thus, the problem of Social Security can be defined as the following: The Social Security trust fund reserves will be unable to pay benefits at the promised rates by 2035.

Social Security reform has received fluctuating attention in the years since the program's enactment. The need for reform is not always at the forefront of Americans' concerns and is often overshadowed by more pressing issues. Typically, public recognition for the need for reform is heightened when public figures release statements regarding the program, data is published on projected shortfalls, and interest groups/ advocacy coalitions, such as Social Security Works are created and heard. The program's closest encounter with insolvency last occurred in the late 1970's and early 1980's under the Reagan Administration. At this time, Reagan reminded the public that "the Social Security system is teetering on the edge of bankruptcy" and "over the next five years, the… trust fund could encounter deficits of up to $111 billion and in the decades ahead its unfunded obligations could run well into the trillions" unless the government acted promptly (Reagan, 1981). Thus, in 1983 Regan signed reform legislation into law, which required negotiation "with the House's top Democrat, Thomas P. O'Neill Jr." (Sommer, 2019). When these reforms were signed into law, public attention largely shifted away from the problem at hand until 2004. At this time, the recently reelected President George W. Bush "designated fundamental Social Security reform as his top domestic priority" (Galston, 2007). In doing so, Bush called attention to the problem of Social Security reform again to a large audience. On the other hand, when data is published, such as the Annual Board of Trustees report on the program, Americans are again reminded of the pressing nature of the issue. This report provides projections based on solid data showing that the program is quickly approaching insolvency. According to Kingdon, "indicators are used to assess the magnitude of the conditions (e.g., the incident of a disease or the cost of a program), and to discern changes in a condition" (Kingdon, 197). Officials also learn about conditions like these "through feedback about the operation of existing programs, either formal (e.g., monitoring of costs or program evaluation studies) or informal (e.g., streams of complaints flowing into congressional offices)" (Kingdon, 198). Thus, when the annual report is sent out, public officials are reminded of the magnitude of the issue at hand and are encouraged to act. Lastly, the presence of advocacy groups can shine a light on the need for reform, especially when it gains a lot of attention and membership. "Social Security Works" is an advocacy coalition with the mission to:

> "Protect and improve the economic security of disadvantaged and at-risk populations, safeguard the economic security of those dependent, now or in the future, on Social Security, [and] maintain Social Security as a vehicle of social justice" (About Us, 2020).

Members of this advocacy coalition have lobbied for reform and have specifically backed Social Security 2100 by encouraging congress to take a fast-track that would "hold lawmakers to an up-or-down vote on a reform plan, with no amendments allowed" (Miller, 2020). This, according to a statement from SSW's president Nancy Altman, "creates an opportunity for what politicians refer to as 'hold hands and jump'" (Miller, 2020). In conclusion, these three factors have helped bring attention to the need for reform in recent years.

The policy stream occurs when there are solutions available for the problem. In terms of Social Security reform, numerous ideas have been floating around in the "policy primeval soup" for years. Some have gained enough momentum to be enacted into law, as mentioned in the "History of Social Security Reform" section, while others have died in Congress. Policy solutions tend to be proposed by actors, like Rep. Larson in the case of The Social Security 2100

Act, and are subsequently analyzed and modified by others—including researchers, congressional staffers, individuals in academia, etc. This process is called "softening", which makes policies more likely to be accepted in policy communities based on the different criteria for survival: technical feasibility, value acceptance, and anticipation of future restraints—each of which will be discussed later in this chapter. Softening has occurred with the Social Security 2100 Act over the past eight years, as the act has been introduced four separate times—each time gaining more and more support.

Policy entrepreneurs play a critical role in connecting the problem to the solution. Kingdon defines them as "people willing to invest their resources in return for future policies they favor" (Kingdon, 204). Two of the biggest proponents of The Social Security 2100 Act are Rep. John Larson (D-CT) and Rep. Ocasio-Cortez (D-NY). These individuals have knowledge, influence, and power to recognize the windows of opportunity when there is heightened attention on the program so that they can promote solutions. In late 2019, Larson and Ocasio-Cortez "released a video calling for the House to vote on The Social Security 2100 Act to protect and expand Social Security" (Larson, 2019). In this video, they warn that if Congress fails to pass legislation improving the program soon, then in 2035 "benefits will be automatically cut by 20% across the board" (Larson, 2019). Further, they explain how important the passage of this act is for all Americans, but especially women and persons of color (Larson, 2019).

When analyzing how Social Security reform can reach the political agenda, two important factors to consider are technical feasibility and value acceptance—and how to ensure these key elements are carried over from the problem definition to the political agenda of the government. Kingdon argues that, when considering technical feasibility "advocates of a proposal must delve deeply into details and into technicalities, gradually eliminating inconsistencies, attending to the feasibility of implementation, and specifying the actual mechanisms by which an idea would be brought into practical use" (Kingdon, p.131). However, "it is a bit difficult to specify precisely what policy makers mean buy the technical feasibility, but they all sense, as they react to a proposal, whether it is 'worked out,' 'staffed out', 'worked through, or 'ready to go'" (Kingdon, p.131). When ideas are sent back to the drawing board, or in the case of the Social Security 2100 Act, referred to the Subcommittee on Social Security, it does not mean it is an ineffective bill. In fact, it simply means the idea needs a few reforms to avoid having the entire thing being discredited. Although the Subcommittee on Social Security has not yet released its new markups on the bill, it is likely that they are taking into account advice from both the Congressional Budget Office and the Office of the Chief Actuary (as outlined at the beginning of Chapter 2). Currently, the act "awaits a potential vote in either House Education and Labor, Energy and Commerce, or Ways and Means Committee [and] all three prior versions failed to receive a floor vote, as the chamber was under Republican control" (*Social Security 2100 Act,* 2020).

Another consideration is value acceptability and national mood. According to Kingdon, "proposals that survive in the policy community are compatible with the values of the specialist" (Kingdon, 132). Because there are many ideological constraints, change is likely to be incremental. Compromise is often difficult because today's political climate is so polarized, with 27% of Democrats reporting that they believe GOP policies are a threat to the well-being of the country and 36% of Republicans reporting the opposite(*Political Polarization in the American Public,* 2020) Thus, policy makers seem inclined to put off reform until later and focus on more pressing issues today. Also, politicians come from different policy communities, and Democrats and Republicans often disagree on what the best method of reform is. Generally, Democrats seek to expand the program's benefits while raising taxes on higher incomes. Republicans oppose tax increases and seek to remove restrictions on earnings and benefits (Furman, 2021). All three of the previously outlined reform proposals were proposed by Democratic Representatives. However, these were all proposed under the 115th United States Congress, which had a Republican Majority in both the House and the Senate. As of January 3rd, 2021, the 117th Congress convened and shifted the political majority. After the 2020 election, there are 222 Democrats and 213 Republicans in the House. (*117th United States Congress,* 2021). Chapter 3 will discuss the impact of this political shift moving forward.

The anticipation of future constraints is another criteria for survival that is laid out by Kingdon. Many specialists are aware that all initiatives will eventually face some sort of debate over shortcomings, proposed changes, or disagreements. In order to increase the chances that politicians will improve a given proposal, they need to believe that the budgetary cost is worth the policy outcome. According to Kingdon, "anticipation of these constraints within a policy community forms a final set of criteria by which ideas and proposals are selected" (Kingdon, p.138). Some of the biggest potential issues are budget constraints and public acquiescence. In terms of the budget, "a proposal must be shown to have a tolerable cost" at least to the federal budget" (Kingdon, p.138). When the Congressional Budget Office analyzed the Social Security 2100 Act, they concluded that the enactment of the act would increase the Social Security benefit outlays by $386 billion and increase federal revenues by $911 billion (Glenn et al., 2019). Thus, it appears that this reform does in fact meet the requirement of economic feasibility.

When analyzing a policy's public acquiescence, it is required that the policy is acceptable to the public. This provides policy specialists with tools in assessing the current public sentiment surrounding an issue. The majority of the public has likely never heard of the Social Security

2100 Act, but, as discussed in the literature review, recent research on public opinion displays a significant opposition to the reduction of benefits (Newport, 2020; Desilver, 2020; Parker et al., 2019; Shaw & Mysiewicz, 2004). Furthermore, 84% of Americans cited that they believe they will either receive benefits at reduced levels or none at all (Parker, et al., 2019). Thus, it appears that the issue of Social Security reform also holds public support and meets Kingdon's criteria of public acquiescence.

Conclusion

This chapter utilized Kingdon's Multiple Streams Approach to showcase the conditions that increase the ability for an issue to become visible to the public and addressed by legislatures. After explaining the framework in depth, I assessed the likelihood that Social Security Reform, specifically The Social Security 2100 Act, will reach the institutional agenda and be successfully enacted. Right now there are numerous issues with more political attention, so it is likely that this issue will remain a lower priority. However, as the program continues to approach insolvency, it is likely that we will see an increase in urgency and support for reform. If policy makers are unable to come to a consensus, then Social Security participants will face the burden of insolvency; and those currently receiving benefits will likely be hit the hardest. As mentioned in Chapter 1, because so many Americans rely on Social Security benefits for a large portion of their retirement income, it is in the best interest of Congress to act swiftly and effectively to preserve America's largest federal entitlement program. While Social Security 2100 may not emerge in its current form due to the aforementioned constraints, there are relevant aspects of this policy that should be considered for reform. As the existing actors work with the administration to finalize policy proposals, it is helpful to analyze which portions of the policy are best suited to solve the problem Thus, while it is important to understand the likelihood that a reform proposal can reach the political agenda, it is also important to assess the proposals projected ability to extend the program's solvency. Thus, in the next chapter of this thesis, I perform a policy analysis of three broader, common categories of reform proposals: privatization, increasing the taxable maximum, and increasing the payroll tax. Each of these alternatives are analyzed in terms of their effectiveness, equity, and political feasibility, in order to predict which is the most successful method of reform.

CHAPTER THREE: Policy Analysis

The problem of Social Security insolvency remains significant and is expected to worsen. As discussed in Chapter 1, the Social Security Board of Trustees projects that Social Security's trust funds will reach insolvency in 2035, meaning that the program will have insufficient funds to pay scheduled benefits at current rates (*Social Security*). Without reform, the payable benefits will be reduced to 75% of scheduled benefits beginning in 2036 (Goss, 2020). As situated in the problems stream, Social Security policy currently provides a retirement program, life insurance, and disability insurance to over 64 million Americans—64 million Americans who are at risk of having their benefits cut. Although over 100 reform proposals have been introduced since 2000, none have passed and thus, the problem persists (*Proposals to Change Social Security,* 2020). According to Kingdon's Multiple Streams Approach, value acceptance and technical feasibility must be carried from the problem and through the policy in order to open a window of opportunity for agenda setting and more importantly, policy change. Chapter 2 explored the problem and assessed reform policies—why they failed and how they gained momentum. This chapter will revisit the politics and policy streams to take a closer look at which proposal is viable given the shifts in the political environment since the 2020 election. Simultaneously, additional evaluative criteria will be used to determine whether specific reform proposals are not only likely to pass, but whether or not they are viable options.

Building upon what we know about why policies fail and which have gained momentum, the analysis will be framed around specific elements within the Social Security 2100 Act (raising the taxable maximum and increasing the payroll tax) while also looking at privatization, another widely floated proposal in the policy community. This thesis has taken a look at numerous policies, but this chapter will focus on these three broader reform options due to their popularity and current momentum, as outlined in Chapter 2. These policies have emerged as the most relevant through their application within the multiple streams framework—they appear to have the greatest chance for a window of opportunity to open. Thus, this policy analysis will be centered around whether a window of opportunity will open given the changes in the politics stream, while also determining the most ideal policy based on three evaluative criteria; effectiveness, equity, and political feasibility.

In this chapter I analyze three proposals for Social Security reform with the goal of presenting a viable solution to the problem—a solution that is both ideal and likely to pass. First, I identify the policy goals to be considered when constructing evaluative criteria. Next, I construct evaluative criteria that serve as the measurements for analyzing the policy alternatives. The analysis revisits three high-profile reform options from the policy stream that I discussed in Chapter 2 in light of changes in the political steam that have occurred over the past six months. Finally, I end with an argumentative discussion of the best method of reform in terms of effectiveness, equity, political feasibility, and likelihood of passage.

Policy Goals

The policy goals to be considered in the evaluation of Social Security policy can be seen through two lenses: 1. the intended outcomes of the Social Security Act and 2. the goals of reform policy solutions. The intended outcomes of the Social Security act include protecting families (especially the elder and disabled population), minimizing economic insecurity, and stimulating the economy. As stated by the Social Security Administration, the primary goals of the Social Security Act are "to provide for the material needs of individuals and families; to protect aged and disabled persons against the expenses of illnesses that may otherwise use up their savings; to keep families together; and to give children the chance to grow up healthy and secure" (*Introduction to Social Security*). More broadly, social insurance programs are intended to solve the problem of economic insecurity among targeted demographics. The strategy of providing old age and disability insurance is to minimize individual economic risk in the context of modern industrial society. By paying into a reserve while working, individuals have future funds to draw from if/when they are unable to support themselves through their own labor (DeWitt, 2010b). This directly targets the problem of old age poverty, as outlined in Chapter 1. Additionally, Social Security benefits are intended to stimulate the national economy by enabling beneficiaries to participate in the economy at higher rates. Research by the AARP Public Policy Institute shows that "Social Security benefit payments support more than 9 million jobs and add almost $1.4 trillion in output to the overall American Economy" and "every dollar of Social Security benefits generates about $2 of economic output (Koenig & Myles, 2013).

On the other hand, the primary goal of Social Security reform policy within this thesis is improving the program's financial solvency. As discussed in Chapter 1, the program is currently projected to reach insolvency by 2035. Due to the volatile nature of the program itself, reform should be centered around ensuring the solvency of the program before focusing on expanding benefits. Although expanding benefits may be a desirable outcome, the more pressing issue is combating the program's looming insolvency that would ultimately hinder benefits for all recipients. As of March 2021, no legislation has been passed in order to extend the program's solvency.

Evaluative Criteria

Evaluative criteria are measurable dimensions used to analyze, compare, and rank policy alternatives. They provide a baseline assessment standard that can be used to forecast the effectiveness of relevant policy options in solving the problem. When selecting the criteria used to assess policy alternatives, Meltzer and Schwartz recommend that the criteria be centered around comprehensiveness (Meltzer and Schwartz, 113). It is essential that the criteria address the different interests at stake in the policy, and are "designed to highlight the trade-offs across options, and therefore… should capture the tension between strengths and weaknesses" (Meltzer and Schwartz, 113). The second consideration from Meltzer and Schwartz is that the criteria should be mutually exclusive, meaning that it is not redundant and does not necessarily happen at the same time. Ensuring that the criteria are not redundant is considered "central to the methodological integrity of the analysis" because it "ensures maximum coverage of all the relevant interests" and "avoids bias in the ranking of the policy options" (Meltzer and Schwartz, 114).

Meltzer and Schwartz propose five criteria that they refer to as "general assessment standards;" effectiveness, equity, feasibility, cost, and efficiency (Meltzer and Schwartz, p.116). According to Meltzer and Schwartz, "effectiveness is perhaps the most important category of criteria, as it evaluates how well each policy option addresses the central problem" (Meltzer and Schwartz, p.117). Relevant policies should also be assessed based on equity and political feasibility. An equitable policy will not exacerbate poverty for minority racial and ethnic groups. A politically feasible policy will have a promising ability to navigate ideological constraints. Cost and efficiency are narrowly incorporated in the discussion of the effectiveness criteria because solvency assesses whether the program's inputs are greater than its outputs. Thus, in this policy analysis, following the guidelines of Meltzer and Schwartz, a comprehensive set of criteria for improving Social Security will include the following: effectiveness, equity, and political feasibility.

Effectiveness

Effectiveness assesses a policy option's ability to meet the goals and objectives. As situated in Chapter 2's discussion of the problems stream, the primary objective is to elongate solvency. Given the unstable nature of the program, the ability to extend solvency is integral to the program's continuation, and thus should hold higher influence in this policy analysis. Policy alternatives will be assessed by the extent to which they are projected to improve the program's financial shortfalls in a given time frame. Predictive data and research on solvency expansion will be used as evidence for effectiveness. However, it is important to note that forecasting techniques face limitations such as time and resource constraints. Forecasting is based on assumptions but provides a useful comparative analysis of policy options using the information that is available.

Equity

The equity criteria considers "whether moral or social justice obligations are met, and where the distributive burden (or benefit) from options is addressed" (Meltzer and Schwartz, p.117). Equity assesses whether or not the program is providing enough benefits to be considered valuable or impactful to those who need it the most; it asks the question of who benefits and whether it is fair. This analysis will evaluate the distributional effects on racial and economic groups, while considering whether the policy options achieve just and impartial treatment to all participants. At minimum, an equitable policy alternative will not exacerbate poverty for women, individuals on the lower end of the economic spectrum, and minority racial and ethnic groups. Additionally, a policy should not have a disproportionate impact on those who rely most on Social Security benefit payments for their retirement income. This is not because these individuals have not saved for retirement, but instead because they have had historically lower incomes in terms of their work history. As discussed in Chapter 1, half of the population of individuals aged 65 and older rely on Social Security for at least half of their income, so it is necessary to pay close attention to these groups and ensure that they are not at risk of having their benefits reduced.

Intergenerational equity is also applicable in analyzing Social Security reform options because this is a policy in which the costs and benefits can be unevenly distributed overtime. According to Meltzer and Schwartz, “the analyst needs to consider the fairness of making future generations pay for contemporary benefits” (Meltzer and Schwartz, p.118). Intergenerational equity is directly tied to the speed at which the policy is implemented. The longer reform is delayed, the more the burden will fall on future generations to remedy the program. This is especially important because the burden will likely include higher taxes for future generations, which creates a larger financial burden on those in the workforce at the time of reform.

Political Feasibility

Political feasibility can be assessed by mapping which political values are embedded in the policy alternatives. This criteria “assesses how possible it is for the policy option to actually get adopted and implemented” and typically addresses “the process-based, political institutional or legal barriers to getting the policy done” (Melzer and Schwartz, p.119). These political barriers to policy implementation are understood within the politics stream. Thus, the political feasibility assessment will connect with Kingdon’s policy stream in order to help determine whether the current political environment reflects the ideals of the policy alternatives, while considering whether a window of opportunity will open or not. Policy windows “create political or administrative opportunities to move policies forward” and are an integral step toward policy implementation; yet are impossible without political support (Meltzer and Schwartz, p.121). In order to ascertain the political environment and feasibility, reform proposals with comparable bills in Congress can be evaluated based on the level of support they received. Additionally, each can be assessed by positioning where each method of reform falls on the political spectrum based on public statements, voting history, campaign pages, and supporter's ideologies. As we know based on the Multiple Streams Framework, reforms with higher levels of support from both parties are more likely to pass.

In the 117th Senate there are currently 50 Republicans and 48 Democrats, with two independent Senators: Bernie Sanders of Vermont and Angus King of Maine who tend to vote Democratic (Stoll, 2021). Additionally, Democratic President Joe Biden and Vice President Kamala Harris were recently elected to office and the Vice President casts any tie breaking votes in the Senate. Thus, with the changing political leadership, it is more likely that Democratic reform proposals will gain momentum in upcoming years.

Policy Alternatives

The following policy alternatives will be analyzed in this chapter: privatization, increasing the taxable maximum, and increasing the payroll tax. Each of these three policy alternatives will be assessed using the aforementioned evaluative criteria:

1. Effectiveness: Maximize solvency.

2. Equity: Minimize racial, intergenerational, and income-based inequity

3. Feasibility: Maximize political acceptability

Each of the evaluative criteria will be used to assess the expected outcomes of each alternative in order to provide a categorical rank for each policy alternative. Each measure will be applied consistently across each policy alternative to ensure fairness and to mitigate the effect of biases. Each of the criteria will be ranked based on their comparative ability to achieve the desired outcome and will be assessed based on the following measures: low, moderate, and high. For example, for criteria #2, a "high" ranking would mean a high ability to minimize racial, intergenerational, and income-based inequity. The criteria measured will be displayed in an analytical matrix for conciseness. Using evidence from the analysis, a policy alternative will be suggested and recommended as the best reform method.

Alternative A: Privatization

One proposed policy option for fixing the Social Security crisis is privatization. Privatization would replace the government administered program with a system of individual retirement investment accounts. The current Social Security system is monitored by the federal government and is structured as a pay-as-you-go system. If Social Security were to be privatized, the pay-as-you-go method would be eliminated. Instead of a portion of each paycheck going directly into the Social Security trust fund, workers would be required to invest a portion of their earnings back into the economy (Munnell, 2016). However, this would not necessarily sever government ties within Social Security. Most privatization plans require government oversight and, in some cases, financial assistance (Goodman & Loveman, 2014). Additionally, while privatization proposals vary, "proposals to privatize the system partially; that is, to provide some, but not all, benefits through pre-funded individual accounts, are among the most popular of the reform proposals" (Moore, 2000). For example, one of the most extensive proposals for privatization to date is called the "Personal Security Program" (PSP) (Kotlikoff, 1998). This plan suggests placing a portion of the FICA tax aside to be invested into a series of personal investment accounts while requiring that the government matches PSP contributions for low-income contributors (Kotlikoff, 1998). Proponents believe that investment will yield higher return rates than the current social security system. For example, research conducted by the

Brookings Institute claims that partial privatization will improve the US standard of living by 10% (Kotlikoff, 1998). This analysis will assess privatization broadly to determine whether or not proposals including it in some capacity are viable and likely.

1. Effectiveness: Maximize solvency

The privatization of Social Security would restructure the entire program and alter the degree to which solvency is measured. Because the United States has never attempted a full or partial privatization of Social Security, effectiveness can be assessed through a comparative lens—looking at private pension programs in other countries. Chile's partially privatized pension program has gained attention across the world and provides a framework for privatization in the United States. The Chilean system has not been exactly copied but has been emulated to varying degrees. Research of Social Security privatization in Latin America summarizes that:

> "Bolivia, El Salvador, and Mexico have closed their public systems and set up mandatory individual accounts, Argentina has a mixed public/private system with three tiers, In Colombia and Peru, workers have a choice between the public and private programs, Uruguay created a two-tier mixed system, [and] Costa Rica has a voluntary program for individual accounts as a supplement to the pay-as-you-go program and has just passed a law setting up mandatory accounts containing employer contributions for severance pay" (Kritzer, 2000).

All of these countries face challenges in their respective programs. First, noncompliance has emerged as an issue since the onset of partial privatization, meaning that many individuals fail to actively and responsibly monitor and contribute to their accounts (Kritzer, 2000; Torre & Rudolph, 2018). This has resulted in "low benefits and greater costs to the governments that offer a guaranteed minimum benefit" (Kritzer, 2000). Additionally, high administrative fees are a cause for concern, which tend to "reduce the individual's effective rate of return" (Kritzer, 2000). The outcomes of the program also are a cause for concern, because actual benefit rates are much lower than what was promise when Chile restructured their program in 1981—"the promise was that pensions would provide 70% of a worker's final wages at work; the real figure is 38%, the lowest rate among developed countries other than Mexico" (Hiltzik, 2016).

Opponents of privatization suggest that it will not necessarily maximize benefits to recipients because it will leave the choice of investment up to the workers. With this policy option, there will likely be many choices for private retirement savings options. Additionally, there is reasonable fear that individual choice and volatility of the market can result in poor investment choices that hinder retirement savings. Reliance on market success would essentially drive the solvency of the entire program (Bossworth & Burtless, 2017). Another important consideration is that there would need to be "a consumption sacrifice, through either a cut in benefits or a hike in combined contributions to Social Security and the new retirement plan" (Bossworth & Burtless, 2017). At minimum, a short-term sacrifice would be likely (through either benefit reduction and/or tax increases) which places a burden on program participants—beneficiaries, workers, and employers.

On the other hand, proponents of privatization argue that it offers more flexibility, will reduce "red tape", and can result in a long-term benefit for the United States economy. Currently, Social Security invests its reserves and receives an average 2.9% return (Williams, 2018). However, "the stock market has historically returned 7% annually, inclusive of dividend reinvestment and when adjusted for inflation" (Williams, 2018). Thus, if American's invest readily and responsibly, "they should be able to trump the present yield of Social Security's asset reserves" (Williams, 2018). If this alternative is successful in boosting private savings, then that increases the funds that can be invested back into the economy, which will bolster our economic state (Parker, 2020). It is important to note that these rebuttals fail to take into account the inherent gambling-risk of the stock market and comparative data from other countries. For example, if the stock market were to crash, beneficiaries could face major losses. Evidence shows that, “a hypothetical worker who diverted a portion of her Social Security contributions into a Bust-style private account (over 35 years)—and retired just after the stock market crash of 2008—would have lost $26,000 in retirement income, compared to what she would have received by keeping her money in traditional Social Security” (Richtman, 2018). Additionally, evidence from other countries with privatized pension programs shows that individuals do not always make more money. As previously discussed, Chile’s retirement program currently faces many problems and benefits are much lower than what was originally promised. Based on the evidence presented, privatization receives a low to moderate rank for effectiveness.

2. Equity: Minimize racial, gender, and income-based inequity.

Policy makers should be aware of potential disparate impacts that methods of Social Security reform can have on at-risk population groups. Evidence shows that privatization poses a threat for program equity. Under this policy option, there could be numerous options for retirement savings across private companies, which have the ability to create their own eligibility requirements (while the current national entitlement program allows all working tax-payers to be eligible). Additionally, research shows that “privatization would likely have a disproportionality adverse effect on the benefits of women, minorities, and lower-income workers” (Moore, 2000). As exemplified by Latin American pension programs, one of the major concerns is that privatized programs tend to result in “proportionately lower benefits for women and lower earners than for men and higher earners” (Kritzer, 2000). Further, the effect of privatization on at-risk beneficiaries is exacerbated by the trend that women and minorities tend to earn less money than white men. Based on investment experience, “members of all three of the at-risk groups, women, minorities, and lower-income workers tend to save less for retirement than do higher income white males” (Moore, 2000). This pattern can be attributed to the fact that these individuals tend to earn less money and thus have less money to save—not because they are fiscally irresponsible. Research also suggests that minorities and women tend to be more conservative when it comes to investment (Nwafor, 2005). Further, “since women and minorities tend to earn lower wages, the fact that lower-income workers tend to be more risk averse suggests that women and minorities may also tend to be more risk averse” (Moore, 2000). Thus, “converting the program into a system where their retirement income would be more dependent on investment markets would make those groups even more vulnerable to poverty” (Anrig & Stettner, 2016). Based on these concerns, privatization receives a low rank for equity.

3. Feasibility: Maximize political acceptability

Proposals to privatize Social Security will likely face backlash due to the possibility of market losses and the current political leadership. The political feasibility of privatization can be predicted by comparing the conditions of the last major push for privatization under the Bush Administration while also drawing on evidence from the recent proposal to privatize the United States Postal Service. Past attempts to privatize Social Security under the Bush Administration failed despite falling within a more conducive political environment. Although it has been proposed by Republicans, privatization of Social Security faces many ideological concerns from both sides of the political spectrum and has never received extensive Democratic support. As of 2021, Democrats have control of both the White House and Congress (*117th United States Congress,* 2021). As a result of this recent legislative turnover, the political environment does not align with this proposal and thus it is unlikely that a policy window will open.

The most recent president to support privatization was George W. Bush, who proposed slowly incorporating private investment accounts in both of his presidential campaigns. At this time, the political majority was on his side, with Republican majorities in both chambers of Congress from 2001 to 2007 (*Party Division,* 2021). Additionally, as discussed in Chapter 2, Bush declared Social Security reform his top domestic priority—and it is easier to advocate for conservative reform options with a Republican in office. Early on in his administration, Bush created the "President's Commission to Strengthen Social Security" which was composed of "privatization advocates, and staffed by Andrew Biggs, former assistant director of Cato's Project on Social Security Privatization" (Mcintosh, 2006). Additionally, the Bush administration passed other legislation in his first term with Democratic support, (such as Medicare reform and tax cuts) so "the expectation was that ultimately, he would get [Social Security privatization] done" (Yglesias, 2018). However, Republicans who embraced this solution soon realized that "privatization actually created an enormous short-term solvency problem… and the GOP had no consensus on how to surmount this difficulty" (Yglesias, 2018). At the same time, Democrats, led by Senate leader Harry Reid, pushed back-- "arguing that there was no imminent crisis, that private accounts would in fact worsen the program's financial situation, and that privatization meant putting much of the public's retirement savings at mercy of the markets" (Prokop, 2005). Thus, Bush's effort failed despite the sizable republican majority and the proposal was never brought to a vote in either chamber of Congress.

The senate's recent opposition to USPS privatization provides a comparative lens through which political feasibility can be determined. Although these policies are categorically different, they share the same goal—to make a government-owned entity private in hopes that the free market will remedy its shortfalls. In the 116th Congress, "a bipartisan majority of the Senate cosponsored S. Res. 99, calling on Congress to take all appropriate measures to ensure that the Postal Service remain an independent agency of the federal government and not be subject to privatization" (*Senate resolution opposing USPS privatization reaches majority of support,* 2019). The related House resolution, H. Res. 33, also has bipartisan support with 251 cosponsors. Thus, "now that both chambers have a majority of support against privatization, any such proposal would be dead-upon-arrival in Congress" (*Senate resolution opposing USPS privatization reaches majority of support,* 2019). Thus, past voting history and ideological constraints show that it is unlikely that Congress will support privatization in the near future. Based on this evidence, privatization receives a low rank for political feasibility.

Alternative B: Increasing the Taxable Maximum

Another commonly proposed solution to the Social Security crisis is to increase the program's revenues by increasing the cap on taxable wages. This reform method was included in the Social Security 2100 Act profiled in Chapter 2. The taxable maximum determines the amount of an individual's income that is subject to taxation to pay into the benefit trust funds. As discussed in Chapter 1, Social Security is currently funded by the FICA tax, which claims 6.2% of annual earnings up to the taxable maximum: $142,800 as of 2021 (*Social Security*). However, income inequality in the U.S. is growing with approximately 17% of national incomes exceeding the taxable maximum (*Congressional Research Service*, 2020). The percentage of taxable earnings has decreased from 90% in 1982 to 83% in 2016, meaning that there is an increasing amount of income that exceeds the contribution base (*Congressional Research Service*, 2020). Therefore, there is a large sum of income from those making more than $142,800 that is not being taxed for Social Security. Raising or eliminating the tax cap is intended to funnel more money into the trust funds while improving program solvency. Opinions on the extent to which the cap should be lifted vary, but common proposals suggest $400,000 [i.e. Social Security 2100 act], 90% of income, and eliminating the cap all together (Romig, 2016). Thus, this policy alternative will be analyzed broadly to determine whether proposals that include a minimum increase to $400,000 or more are a suitable solution and likely to be implemented.

1. Effectiveness: Maximize solvency

Both raising and eliminating the gap are intended to redistribute a larger portion of the wealth in America to the Social Security fund. According to the Social Security Administration, "The majority of individuals would not be affected by any of these provisions [because] 77% of persons aged 62 or older in 2070 are projected to never earn over the scheduled tax max" (Whitman, 2009). Further, this option would result in "higher lifetime earners paying more in taxes, on average" (Whitman, 2009). Thus, this reform strategy is popular because it does not affect most workers, only those who make a high salary that exceeds the taxable maximum.

Estimates from the Social Security Administration's office of the Chief Actuary indicate that "phasing in an increase in the taxable maximum to cover 90% of covered earnings over the next decade would eliminate roughly 20% of the long-range shortfall in Social Security" (*Congressional Research Service*, 2020). The current taxable maximum of $142,800 "covers roughly 84% of total earnings" (Whitman, 2009). Thus, increasing the taxable maximum would expand the percent of total earnings that is contributed to the program—which increases funding for the program.

When comparing policy options, it is important to emphasize that they do not equally improve solvency—according to an analysis by the Social Security Administration, "using the assumptions in the 2005 Trustees Report, the *no max* option is the only option projected to fully close the long-range actuarial imbalance" (Whitman, 2009). Research shows that "the largest positive change would be under the *no max* option, which would improve the long-range actuarial balance by an estimated 2.21% of taxable payroll" (Whitman, 2009). Raising the taxable maximum has the ability to "close roughly a quarter to nearly nine-tenths of Social Security's solvency gap, depending on how they are structured" (Romig, 2016). Further, eliminating the cap as a whole, while retaining the base calculation for benefits, would ensure that the program remains solvent for over 75 more years (Mulvey, 2010). Thus, this policy option has the ability to extend solvency, with the tradeoff that the overall benefit to high-income earners would be reduced. Raising the taxable maximum would decrease the return in benefits based on taxes paid for individuals in higher-earning households, but would increase and stabilize the benefits for the majority of recipients. Under the current policy status-quo, the program will soon reach insolvency—so increasing funding by eliminating the maximum taxable benefit will extend the life-expectancy of the program by allowing it to continue to offer benefits at or near the promised rates. Based on this evidence, effectiveness appears moderate to high depending on the extent to which the taxable maximum is lifted.

2. Equity: Minimize racial, intergenerational, and income-based inequity

Equity concerns for women and minorities are at the center of Social Security reform options that propose to increase the taxable maximum, including the Social Security 2100 Act. Research shows that women and minorities receive lower average benefits than white men, which is an outcome of institutional barriers that result in lower wages for both women and minorities (Butrica & Smith, 2012). The median household income in the United States is around \$76,000 for whites, \$56,000 for Hispanics, and \$45,000 for blacks (*Median household income by race or ethnic group,* 2021). Additionally, women tend to make less than men—women who are full-time workers "had median usual weekly earnings that were 82% of those of male full-time wage and salary workers" (*Labor Force Statistics from the Current Population Survey,* 2021).

Thus, raising or eliminating the taxable maximum would affect higher wage earners, which is often white men, more than women and minorities. Additionally, reforming the taxable maximum "would bolster Americans, including women and minorities, financially" because beneficiaries would continue to receive full benefit amounts for years to come (Konish, 2019b). Proponents of this method of reform argue that "this is a civil rights issue [and] this is a women's issue" (Konish, 2019b). Other research shows that this proposal "would help mitigate the erosion of Social Security's payroll tax base caused by rising wage inequality" (Romig, 2016). Increasing the taxable maximum appears to rank moderate in terms of equity because it would place a higher burden on the wealthy, while mitigating some of the program's financial disparities based on race and gender.

3. Feasibility: Maximize political acceptability

The idea of increasing the taxable maximum has been floated by numerous Democratic representatives, as explained in the proposal summaries in Chapter 2. Proposals that involve increasing the taxable maximum, such as the Social Security 2100 Act, have failed in the past under the 115th Congress, which had a Republican majority in both chambers of Congress. With the recent 2021 legislative turnover, Democrats now control the White House and Congress, with Vice President Kamala Harris casting the tie-breaking vote in the Senate (*117th United States Congress,* 2021). Thus, the political stream has shifted, and conditions appear more conducive to Democratic reform proposals, like increasing the taxable maximum.

As outlined in Chapter 2, the proposal for increasing the taxable maximum with the most momentum is the Social Security 2100 Act. This act has gone through softening in the past eight years, which has consistently increased its political support—making it appear at least moderately politically feasible. Previous versions of the act were introduced in July 2014, March

2015, and April 2017 and have "attracted two, 105, and 174 cosponsors respectively—making this by far the most popular version yet (although it has yet to attract a single cosponsor across the aisle)" (*Social Security 2100 Act,* 2020). One of the biggest challenges thus far has been obtaining Republican support, and "the campaign to win over supporters has been [eight] years in the making" (Konish, 2019a). The current version of the bill "has 209 co-sponsors in the House," but needs 218 votes to pass (Konish, 2019a). Thus, despite the 2021 legislative turnover, proposals of this sort still face the challenge of gaining bipartisan support. It is unlikely that the Social Security 2100 Act or any other similar legislation will be passed without support from both sides. However, the Democrats have 222 members in the House, so there is likely the potential threat of filibuster on this issue.

However, as discussed in the political stream, support from political leadership is one of the biggest elements that drives policy change. President Joe Biden has proposed very similar legislation that "would apply Social Security payroll taxes to those making $400,000 and up" (Konish, 2021). This very closely aligns with the current Social Security reform priority of the Democrats, the Social Security 2100 Act. In a recent statement, Rep. Larson confirmed that members of the House and Senate plan to hold roundtables to compare both proposals and come to a consensus; "there are a lot of similarities between the Social Security 2100 Act and President Biden's campaign proposal… we will be reintroducing a modified Social Security 2100 Act based on what comes out in these discussions" (Konish, 2021). Still, the problem is whether the modified version of the act will be able to garner Republican support. Widespread Democratic support enhances political feasibility, but Bipartisan support would be more promising. Due to the current lack of bipartisan support, this alternative ranks moderate in its political feasibility. This is subject to change based on the response to the future version of the act.

Alternative C: Increasing the Payroll Tax

A higher payroll tax is a commonly proposed solution to Social Security solvency. The Congressional Budget Office summarizes that there are two main alternatives—increasing the rate by 1% and increasing the rate by 2%-- evenly split between employees and their employer. For example, "for the 1 percentage-point increase, the rate for both employers and employees would increase by 0.5 percentage points, to 6.7% resulting in a combined rate of 13.4% (*Increase the Payroll Tax Rate for Social Security,* 2018). As mentioned in Chapter 1, the current payroll tax is a combined 12.4% between the employee and the employer. This proposal is capable of improving the program's long term financing challenge, but also places a higher tax burden on all wage earners and employers.

1. Effectiveness: Maximize solvency

The ability for this alternative to maximize solvency is supported by evidence from multiple projections. According to the Congressional Budget Office, increasing the payroll tax by 1% would increase revenues by $716 billion from 2019 through 2028 (*Congressional Research Service,* 2020). Additionally, even a small increase in the tax of less than 1%, could close about "one-fifth of the gap" (Yoshida, 2018). Proponents of this reform argue that it will fix the Social Security crisis while also allowing for an increase in benefits (Miller, 2021; Yoshida, 2021). Increasing funding will extend the life-expectancy of the program by allowing it to continue to offer benefits at or near the promised rates. Further, options to increase the payroll tax "would achieve 75-year solvency" (Shoffner, 2010"). However, it is important to note that estimates of the effect of this alternative are uncertain, because projections "rely on CBO's projections of the economy over the next decade, particularly projections of wages, the income distribution, employment", which are inherently uncertain (*Increase the Payroll Tax Rate for*

Social Security, 2018). Because projections show this alternative could extend solvency for 75 more years, it receives a moderate to high ranking for effectiveness, but would not likely increase solvency as much as increasing the taxable maximum.

2. Equity: Minimize racial, intergenerational, and income-based inequity

According to research by the Social Security Administration, options to increase the FICA tax rate "would improve intergenerational equity for most cohorts": "Except for the 1936–1940 cohort, [raising the tax rate will] improve intergenerational equity by reducing the variability in benefit/tax ratios across generations compared with the range of benefit/tax ratios under as-needed increases" (Shoffner, 2010). This method is urgent because "the longer a rate increase is delayed, the higher the increase for later generations" (Shoffner, 2010).

One drawback to increasing the payroll tax is that it will place a burden on low-income Americans whose income falls below the tax cap. These Americans will now be paying a higher percentage their entire income, while, without raising the taxable maximum, wealthier Americans will receive a tax break on their income that exceeds $148,200. Research shows that "low- and moderate-income taxpayers pay more of their incomes in payroll tax than do high-income people, on average [and] the bottom fifth of households will pay an average of 6.9% of their incomes in payroll tax in 2020, while the top fifth will pay 5.9% and the top 1% of households will pay just 2.3%" (*Policy Basics: Federal Payroll Taxes,* 2020). Thus, this approach creates equity concerns for lower income Americans as they will be paying more of their current income. Additionally, evidence shows that the United States tax system disadvantages racial and ethnic minorities as a whole. For example, "the two largest tax breaks are for employer-based health-care insurance and pension plans [and] white workers receive larger tax subsidies since they earn more (and therefore have higher marginal rates) than minority workers, on average" (Faricy, 2016). Based on this evidence, equity appears to be moderate.

3. Feasibility: Maximize political acceptability

The political feasibility of increasing the payroll tax for Social Security can be measured based on the notion of bipartisan support, the success of similar legislation, and the campaign priorities of President Biden. According to the Center on Budget and Policy Priorities, "polling data indicates that most Americans of both political parties oppose cuts to Social Security benefits and support strengthening the program by contributing more in taxes" (Romig, 2016). Further, "more than eight in ten — including 74% of Republicans and 88% of Democrats — agree that it is critical to preserve Social Security even if it means increasing Social Security taxes paid by working Americans" (Tucker et al., 2013). Thus, it appears that increasing the payroll tax has the ability to gain support on both sides. However, it is important to note that raising taxes in any circumstance is controversial. According to Gallup, about 50% of Americans currently feel that the amount of federal income taxes that they pay are too high (Newport, 2020). Regardless, given that the program's solvency is on the line, Americans appear willing to sacrifice paying higher taxes to save Social Security. As discussed in the political stream, the ability to gain bipartisan support is one of the major elements driving policy changes, which increases the likelihood of a policy window opening.

Increases in the Social Security payroll tax has been implemented in past policies. In 1977, President Jimmy Carter signed H.R. 9347 into law which "phased in tax increases and recalibrated the inflation adjustment". Four years later reform reached the political agenda again due to further concerns of long-term and short-term insolvency, and President Reagan signed into law H.R. 1900, which advanced the timeline of the scheduled tax increases from H.R. 9347 in order to eliminate funding shortfalls. As discussed in Chapter 1, the efforts behind the 1983 reform were bipartisan. However, it is important to note that Congress and the President were under a tremendous amount of pressure due to the estimated remaining six-month lifespan of Social Security. As discussed in the problems stream, time-sensitive policies are more likely to gain attention and be enacted; and six months is an extremely short timeline. Today, long-term shortfalls are projected to begin in 14 years, so legislators are under less pressure than in 1983.

As previously discussed, another indicator of political feasibility is support from political leadership. With President Joe Biden now in office, the voice of support for increasing the payroll tax is even louder. One of the proposals within the Biden Plan for Social Security is to increase the payroll tax—his plan "would impose a 12.4% Social Security payroll tax on income earned above $400,000, split between employers and employees" and "this would mean that wages between [$142,800,] the current wage cap, and $400,000 aren't taxed" (Maxey, 2020). Thus, this reform method has presidential support, which enhances the likelihood that it will be enacted. Based on this evidence, raising the income tax appears to have moderate to high political feasibility.

Analysis of Policy Alternatives:

	Criteria		
Policy Options	**Effectiveness**	**Equity**	**Political Feasibility**
Privatization	Low-moderate	Low	Low

Increasing the Taxable Maximum	Moderate-high	Moderate-high	Moderate
Increasing the Payroll Tax	Moderate-high	Moderate	Moderate- high

Figure 11: Analytical Matrix

Analysis of Policy Alternatives: Best Reform Method

Based on the previous evidence, increasing the taxable maximum and increasing the income tax both offer a promising ability to extend the program's solvency by a projected 75 years. However, as the aforementioned data signals, increasing the taxable maximum will extend solvency in the long-term to the greatest extent. On the other hand, the perceived effectiveness of privatization is disputed and contradicted by the unstable nature of Latin American pension programs. Privatization also creates equity concerns, especially for people of color, women, and low-income workers. Increasing the payroll tax also creates equity concerns, primarily for American's whose income falls below the taxable maximum. As discussed, increasing the income tax places a higher burden on lower income Americans and a lower burden on higher income Americans. On the other hand, lifting the taxable maximum results in the opposite distributional burden. Under this policy, income will be more redistributed from the wealthy to the poor, by subjecting higher incomes to the tax. However, it can be argued that doing this is fair and actually further increases equity. Requiring that all income is paid into Social Security lifts the FICA tax breaks that wealthy Americans currently receive. The status quo creates an imbalance in the amount of an individual's income that is taxed, and this alternative would undo that.

Political feasibility is arguably the most important criteria when considering whether the policy will be enacted or not. While increasing the taxable maximum fares the best in terms of effectiveness and equity, increasing the payroll tax is the most politically feasible. Thus, it is more likely that Congress would enact a policy of this nature than a policy that proposes privatization or increasing the taxable maximum. Based on evidence, privatization has by far the least political feasibility. Conversely, is not entirely impossible to pass legislation to increase the taxable maximum, depending on how it is framed. Especially looking at the Social Security 2100 Act, political feasibility is widely contingent upon how future versions of reform bills are framed. It is likely easier to gain bipartisan support on a more moderate cap increase than a full elimination. Thus, regardless of what policy option is implemented in the future, it is important to consider the preferences of political leadership on both sides when introducing reform. It is certain that compromise will be required to pass any of these reform options.

After considering the policy options, I strongly recommend enacting a policy to eliminate the taxable maximum in order to retain the program's solvency. Overall, this strategy is very popular because it will not affect most workers' taxes, only the small portion of those whose income exceeds $142,800. According to the Social Security Administration, the previously cited 17% of national income exceeding the tax cap is owned by only 6% of the population (*Social Security*). In other words, only 6% of the population will be affected, all of which are wealthy and well-off Americans. Additionally, one of the major critiques of Social Security is that, above the tax cap, it created a "regressive tax structure" (Quadagno & Pederson, 2012). This is due to the fact that "workers earning less than the base have a greater proportion of earnings taxed than workers whose earnings exceed it" (*Congressional Research Service*, 2020). Supporters of this reform argue that the taxable maximum favors wealthy workers and should instead be all inclusive, regardless of earnings. However, among the supporters, there is a disagreement over how much the cap should be raised, or if it should be eliminated as a whole. Those who argue to eliminate the taxable maximum often offer to progressively lower the tax rate on higher earnings. Regardless of the degree to which this is implemented, adjusting the tax cap will allow more money to flow into the Social Security system and aid its future solvency.

Conclusion

This thesis explored the question: How can the government prevent the bankruptcy of the Social Security program in the United States? Since its creation in 1935, the program has undergone major reforms driven by funding shortfalls, improved methods of benefit calculations and cost-of-living adjustments, and increased need for old-age and disability insurance. The funding shortfalls of Social Security are primarily caused by demographic changes— the United States is experiencing an increasingly aging population due to longer life expectancies and declining birth rates. Because Social Security is a pay-as-you go system, the declining worker to beneficiary ratio is draining the trust funds and causing concerns of future insolvency. In order to mitigate these effects, political leadership in the United States is tasked with reforming the program before it is too late. However, more pressing issues continue to dominate the political agenda, and congress has failed to enact reform.

Three of the most popular methods of reform are privatization, increasing the taxable maximum, and increasing the payroll tax. Each of these policy alternatives were assessed based on effectiveness, equity, and political feasibility in order to determine their aptitude and likelihood of implementation. Kingdon's Multiple Streams approach was used as a framework for assessing the likelihood that Social Security reform will be placed on the political agenda and implemented in upcoming years. The main findings summarized at the end of Chapter 3 include that both eliminating the taxable maximum and increasing the payroll tax are viable reform options for extending the program's solvency, while privatization is less effective. Additionally, eliminating the taxable maximum appears to be the most equitable alternative in terms of ability to minimize racial, intergenerational, and income-based inequity. Finally, raising the income tax is the politically feasible of the three options, followed closely by raising or eliminating the taxable maximum—depending on how the policy is framed.

With all things considered, I recommend eliminating the taxable maximum. Based on the priority of extending the program's solvency and avoiding bankruptcy, this policy alternative is the most promising. A policy must be both able to solve the problem and likely to pass. Based on the analysis of Kingdon's Multiple Streams Approach, this policy option has the greatest likelihood of a policy window opening. Because of the urgent nature of this crisis, effective action must be taken soon. Therefore, policy makers should elect to eliminate the tax cap because it will increase the program's funds without having to cut benefits. Doing so will not hurt lower income Americans who are the most in need of the program to begin with. Evidence shows that eliminating the taxable maximum will only affect 6% of wealthier Americans, while allowing the vast majority of Americans to regain confidence in the solvency of this necessary program (*Social Security*). If action is not taken soon, the entire program could reach bankruptcy, increasing the chances of extreme economic instability in the future of America. Although this reform will result in an unequal return on investment for wealthier Americans, this approach is the most beneficial to the majority and is integral to ensure program solvency.

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