

 **Program for  
Public Consultation**

A Joint Program of the Center on Policy Attitudes and  
the School of Public Policy at the University of Maryland

# Is It Really a Third Rail?

## *How the American People Would Reform Social Security*

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The **Program for Public Consultation (PPC)** seeks to improve democratic governance by helping governments consult their citizenry on the key public policy issues the government faces. Unlike standard polls, in public consultations respondents are presented information that helps simulate the issues and tradeoffs faced by policymakers. PPC has been established to develop the methods and theory of public consultation and to conduct public consultations. PPC is a joint program of the Center on Policy Attitudes and the School of Public Policy at the University of Maryland.

The **Center on Policy Attitudes (COPA)** was established in 1992 with the purpose of giving public opinion a greater voice in the public policy process. COPA conducts in-depth studies of public opinion that include polls, focus groups and interviews. It integrates its findings together with those of other organizations. In addition to PPC, COPA has a joint program with the Center for International and Security Studies at the University of Maryland called the Program on International Policy Attitudes.

**School of Public Policy, University of Maryland (College Park)** is one of the nation's leading graduate programs devoted to the study of public policy, management and international affairs. It is the only policy school in the Washington area that is embedded in a major research university and combines both domestic and international policy studies under one roof.

**GfK** is a major research company operating in more than 100 countries. This study was conducted using their web-enabled KnowledgePanel®, a probability-based panel designed to be representative of the U.S. population. Initially, participants are chosen scientifically by a random selection of telephone numbers and residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web-enabled KnowledgePanel®. For those who agree to participate, but do not already have Internet access, GfK provides at no cost a laptop and ISP connection.

**Voice Of the People (VOP)** is a new non-partisan organization that seeks to re-anchor our democracy in its founding principles by giving 'We the People' a greater role in government. VOP furthers the use of innovative methods and technology to give the American people a more effective voice in the policymaking process. VOP is working to urge Congress to take these new methods to scale so that Members of Congress have a large, scientifically-selected, representative sample of their constituents—called a Citizen Cabinet—to be consulted on current issues and providing a voice that accurately reflects the values and priorities of their district or state. VOP ultimately seeks to create a large standing national Citizen Cabinet of over 100,000 Americans, all connected by the Internet, with a representative sample in every state and district, that will be operated by a congressionally-chartered National Academy for Public Consultation. In the near term, with funds from foundations and individual donors, VOP is establishing interim Citizen Cabinets in several states and districts.

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## EXECUTIVE SUMMARY

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Since it was established in 1935 the Social Security program has been very popular among the American people. However, for some time now it has been known that the program, as it stands, is in jeopardy of being insolvent in the not too distant future. According to the Social Security Trustees' Report, if no steps are taken by Congress to reform Social Security, its trust fund will be exhausted in 2033, and after that the program will only be able to deliver benefits based on current receipts—which would result in a 23% benefit cut to retirees.

A wide range of options have been proposed to mitigate the Social Security's shortfall, primarily by reducing benefits or by increasing revenue. There have also been numerous calls for other changes such as increasing benefits for certain populations. Nonetheless there has been no significant action on reforming Social Security and indeed there have been no significant reforms since 1986.

A major reason that Social Security has not been addressed is a widespread assumption that American public is not willing or able to face the issue and thus bringing it up is too politically risky. Social Security has been called a 'third rail,' implying that it is political suicide to address it.

Much of the existing polling data tends to reinforce the belief that the public's attitudes toward Social Security are too conflicted and anxious to support any kind of constructive action. While polls show that majorities believe that Social Security is headed for a crisis, majorities tend to oppose all specific steps for addressing the problem. Polls also appear to be quite inconsistent, with respondents responding quite differently to seemingly subtle differences in wording. All this suggests that Americans have not had a chance to come to a meaningful judgment about the issue. Thus it is not surprising that to a policymaker, public opinion on Social Security may seem like a real minefield.

### **THE CITIZEN CABINET APPROACH— SIMULATING POLICYMAKING**

While standard polling has not been adequate to the task of finding public consensus on dealing with Social Security, a new approach has been developed that is particularly applicable to complex and challenging issues, like Social Security solvency.

This method is based on not just having citizens react to isolated elements of an issue but rather to go into a problem-solving mode and approach the problem holistically. Citizens go through a process that simulates the process policymakers go through. This 'policymaking simulation' includes:

- receiving a briefing on the issue,
- reading and evaluating arguments for and against various policy options,
- evaluating policy options independently,
- finally, formulating an integrated proposal in which the respondent must deal with the tradeoffs between the different options.

Ultimately respondents are asked to make recommendations like an advisor to a policymaker. Thus the idea is that the citizens collectively act as 'Citizen Cabinet' to their representatives. In its fully realized form the sample would be large enough (over 100,000 members) to provide a meaningful sample of respondents for every Congressional district so that every Member of Congress could hear from a representative sample of his or her constituents.

#### **Selecting the Model Citizen Cabinet**

For the current study, a model Citizen Cabinet was created by selecting a nationally representative sample of 738 members. This is large enough to provide a meaningful sample for the nation as a whole, though not for specific states or districts.

This sample was drawn from a larger standing panel called the KnowledgePanel that is managed by the research company GfK. Though these surveys take place online, this panel is not derived from an "opt-in"

process by which any online user can volunteer to be a respondent. Instead, panelists are recruited through a scientific process of selection using two methods: a random selection of possible US telephone numbers (also called random digit dial sampling, or RDD); and a random selection of residential addresses using the United States Postal Service's Delivery Sequence File. Persons in selected households are then invited by telephone or by mail to participate in GfK's KnowledgePanel. Those who agree to participate but who do not have Internet access are provided a laptop computer and Internet service. A representative sample is then chosen for a specific survey. Once that sample completes a survey, the demographic breakdown of the sample is compared to the US census. Any variations from the census are adjusted by weighting.

### Developing the Policymaking Simulation

Voice of the People commissioned the Program for Public Consultation (PPC), affiliated with the School of Public Policy at the University of Maryland, to develop the policymaking simulation. PPC began by studying the primary sources on the status and outlook of Social Security, especially the documents issued by the SSA's Actuary and the most recent Trustees' Reports. These were complemented by the Congressional Budget Office's comprehensive report of 2010, with its supporting materials in the form of Excel files; reports by the Congressional Research Service; and testimony before congressional committees.

From these materials PPC developed a comprehensive list of the key policy options for reforming Social Security that have received in-depth discussion in recent years. In particular they included ones that the SSA regarded as relevant enough to be 'scored'—i.e. evaluated in terms of how much each option, if adopted, would affect the Social Security shortfall. These included options that were specifically designed to address the shortfall, including through reducing benefits or raising revenues. Some options for increasing benefits were also included, as they are very much in play in the Social Security reform debate, though these would increase the size of the Social Security shortfall. Also included were two proposals for modifying the way the annual cost of living adjustment (COLA) is calculated.

Second, PPC studied the expert debates on each of the options to identify the key arguments for and against each of the reform options.

Third, from these materials PPC put together a draft policymaking simulation that included:

- a briefing with core information about how the Social Security program is structured
- a briefing on the nature and extent of the Social Security shortfall, along with its multiple causes
- presentation of the options for reforming Social Security including a description and information about the impact of the option on the shortfall
- presentation of arguments for and against each option for respondents to evaluate
- presentation of a scale for each option for respondents to evaluate independently
- presentation of all the options in an integrated and interactive spread sheet form to enable respondents to make their own comprehensive and integrated proposal, with an interactive feature that gave respondents feedback on how much of the shortfall had been covered
- for those who do not cover the shortfall, a list of alternative options for dealing with it including other revenue sources and spending cuts

Fourth, the draft of the simulation then in progress was presented for review to a number of groups of experts. Primary were the lead majority and minority staffers of the House Ways and Means Subcommittee on Social Security and staffers who deal with Social Security on the Senate Finance Committee. Also consulted were experts from the National Academy of Social Insurance and the American Enterprise Institute. They were asked to review the simulation for balance and fairness; for whether the arguments presented were the best and most persuasive being made for a given position; and whether the options being covered were the ones playing a part in the range of discussions taking place in Congress.

Fifth, significant changes were made in response to the staffers' feedback. Some options were dropped while others were given more space. The initial brief-

ings on Social Security and the shortfall were expanded and the order of presentation was changed. Numerous arguments were modified to reflect what was seen as the most salient and current.

### **Fielding the Policymaking Simulation with the Model Citizen Cabinet**

The policymaking simulation was administered online to the model Citizen Cabinet.

The study was fielded over July 20-26, 2013 with a sample of 738 American adults. It has a margin of error of plus or minus 3.6%; with the design effect also taken into account, the margin of error is plus or minus 4.4%. Findings were weighted to census data.

## **KEY FINDINGS**

### **Evaluating Reform Options Separately**

When asked to evaluate the various reform options for addressing the shortfall, the more modest options in each of the broad categories we tested were found to be at least tolerable by substantial majorities overall and for both Democrats and Republicans. Options that went further elicited more mixed responses.

- Two thirds found it at least tolerable to reduce benefits for the top 25 percent of earners. Just under half found tolerable reducing benefits to the top 40 percent of earners, though a slight majority of Democrats did. Reducing benefits to the top 50 percent was found tolerable by only one in three, with little difference among the parties.
- Six in ten found at least tolerable raising the full retirement age to 68, with no difference between the parties. Half found tolerable raising it to 69, with a slight majority of Republicans finding it tolerable and a slight majority of Democrats saying it would be unacceptable. Responses were approximately the same, though slightly lower, for raising the age to 70.
- Raising the cap on income subject to the payroll tax from \$113,000 to \$215,000 over

ten years and eliminating the cap received approximately the same response—seven in ten, in both parties and overall, found them at least tolerable. Curiously, Republicans and independents found eliminating the cap more acceptable than raising the cap.

- Seven in ten—overall and for both parties—found it at least tolerable to raise the payroll tax rate from 6.2% to 6.6% over a number of years. Two thirds overall found it tolerable to raise the rate to 6.9% and six in ten found tolerable raising it to 7.2%. At these higher levels, Democrats were a bit more likely than Republicans to say the increases were at least tolerable.

Options for increasing benefits were found tolerable by substantial majorities.

- Raising the minimum benefit from \$760 to \$1,134 a month was found tolerable by two thirds, though this was only true of a modest majority of Republicans.
- Gradually raising the benefits for those 81 and older was found tolerable by six in ten, with only minor partisan differences.

Both of the ideas for recalculating the Cost of Living Adjustment (COLA) were found tolerable by a majority.

- Recalculating COLAs according to ‘Chained CPI’ (which would reduce the rate of growth for benefits) was found tolerable by two thirds, with Republicans slightly more positive.
- Recalculating COLAs based on what the elderly tend to buy (which would increase the rate of growth), was also found tolerable, this one by six in ten.

## Making a Final Package

When making up a final package, while getting constant feedback about the impact of their decisions on the Social Security shortfall, large majorities—overall and for both parties—chose options that would cover at least 71 percent of the shortfall. These included:

- reducing benefits for the top quarter of earners,
- raising the full retirement age to 68 or more,
- raising the cap on income subject to the payroll tax to \$215,000 or higher
- raising the payroll tax rate by from 6.2 to 6.6 percent or higher.

Three in four or more Republicans and Democrats endorsed each of these options.

In addition a modest majority selected a further step of making all income subject to the payroll tax, which together with the other steps, would completely eliminate the Social Security shortfall. A modest majority of Republicans as well as six in ten Democrats chose this option.

Options for increasing benefits did not fare as well:

- Just less than half chose the option of increasing minimum monthly benefits, though a slight majority of Democrats did so.
- Only one in three chose to supplement the benefits of the very elderly.
- However, 7 in 10 chose one of these increases.

Only minorities selected each of the options for changing the way Cost of Living Adjustments are calculated. Three in ten included the option of chained CPI while two in ten chose the option of basing COLAs on what the elderly tend to buy.

Those who did not cover the shortfall in their package were asked how the shortfall should then be covered. The most common response was to reduce defense spending, followed by reducing non-defense spending and raising other taxes. Only very small numbers elected to let Social Security benefits decrease or to borrow the funds.

Overall, in making their final package, among sub-populations that would be affected by certain options, very large majorities, nonetheless, chose those options, in most cases at a level no different from those who would not be affected.

- Overwhelming majorities of those with higher incomes lowered benefits that would affect their income bracket.
- Though they were specifically told that it would only affect the retirement age for those age 47 and younger, three quarters of respondents in that age group elected to raise the retirement age to 68.
- Among those with incomes over \$100,000 nearly nine in ten raised the cap on taxable earnings, with a modest majority even completely eliminating it.
- Though it would have a bigger proportional impact on their discretionary income, three quarters of those with lower incomes increased the payroll tax rate.

### TRYING THE POLICYMAKING SIMULATION YOURSELF

The entire policymaking simulation PPC developed on Social Security Reform is being posted online by our project sponsor, Voice Of the People ([www.VOP.org](http://www.VOP.org)), so members of the public can go through the same policymaking simulation the representative sample went through and share what they learn from this experience with their Member of Congress.

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## INTRODUCTION

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Since it was established in 1935 the Social Security program has been very popular among the American people. However, for some time now it has been known that the program, as it stands, is in jeopardy of being insolvent in the not too distant future. According to the Social Security Trustees' Report, if no steps are taken by Congress to reform Social Security, its trust fund will be exhausted in 2033, and after that the program will only be able to deliver benefits based on current receipts—which would result in a 23% benefit cut to retirees.

A wide range of options have been proposed to mitigate this situation, primarily by reducing benefits or increasing revenues. These have been evaluated or 'scored' by the Social Security Administration's Office of Chief Actuary in terms of how much of the shortfall it covers. Analysts stress that delaying changes will only make the changes more painful.

In addition to efforts to address insolvency, there have been numerous calls for reform, to address insolvency, and also to make other changes such as increasing benefits for certain populations. Nonetheless there has been no significant action on reforming Social Security and indeed there have been no significant reforms since 1986.

A major reason that Social Security has not been addressed is a widespread assumption that the American public is not willing or able to face the issue and thus bringing it up is too politically risky. Social Security has been called a 'third rail,' implying that it is political suicide to address it. And, because the problem is one that will have its real impacts in the future, the temptation to let it slide for now is overpowering.

Much of the existing polling data tends to reinforce the belief that the public's attitudes toward Social Security are too conflicted and anxious to support any kind of constructive action. For example, in an *ABC/Washington Post* poll in 2011 an overwhelming 81% said that they thought that Social Security was headed for a crisis. However, when respondents were presented a list of options for addressing the problem, clear majorities rejected most of them includ-

ing increasing the Social Security tax rate, raising the retirement age, reducing benefits for future retirees, and reducing benefits to early retirees. Only one got modest majority support—making all income subject to the payroll tax. And one elicited a divided response: slowing the rate of increases in benefits.

Polls also appear to be quite inconsistent. While most ideas for reforming Social Security are rejected there are exceptions—suggesting that Americans are indeed concerned. But, in general, when poll respondents do not have a good understanding of an issue they tend to be highly responsive to seemingly subtle differences in wording that highlight one or another value issue, producing responses that seem contradictory. For example a recent Bloomberg poll asked respondents whether or not they favored "reducing the cost-of-living adjustments that automatically increase the amount of benefits Social Security pays out to help the program remain financially secure?" With this emphasis on addressing the security of the program, and the automaticity of increases without reference to the basis for them, an unusually large 64% favored doing so. However when another *ABC/Washington Post* poll asked whether they support "changing the way Social Security benefits are calculated so that benefits increase at a slower rate than they do now" only 37% approved—perhaps because the overarching reason was not referenced and the change was implicitly permanent but not defined.

Thus it is not surprising that to a policymaker, public opinion on Social Security may seem like a real political minefield.

### **The Citizen Cabinet Method — Policymaking Simulation**

While standard polling has not been adequate to the task of finding public consensus on dealing with Social Security, this does not mean that policymakers have no real option but to simply avoid public opinion for fear of a backlash. A new approach has been developed that is particularly applicable to complex and challenging issues, like Social Security. Growing out

of the field of public consultation, this Citizen Cabinet method gives a large representative sample of Americans interactive tools to help them really understand policy issues, so that they can effectively express their values and priorities in relation to specific policy choices in a thoughtful and reasoned fashion.

This is different from standard polls that ask respondents for feeling responses to various separate policy options. As we have seen, in the case of dealing with the Social Security shortfall none of the options are attractive, so they tend to elicit a negative feeling response. People do not “favor” either cutting benefits or increasing taxes.

In the Citizen Cabinet method, however, respondents are asked not to simply react to isolated elements of an issue, but to actually think like a policymaker or policy advisor. They are invited to go into a problem-solving mode and approach the problem holistically and in a way that addresses tradeoffs. Respondents are not assumed to have an already formulated set of views on the policy options, though they are assumed to have values and priorities that they can meaningfully apply to the problem, provided the proper tools. Ultimately they are approached as reasonably intelligent persons, able to make trade-offs on policy issues, just as they do in other areas of their lives.

The process itself simulates the process a policymaker would go through. This ‘policymaking simulation’ includes:

- receiving a briefing on the issue,
- reading and evaluating arguments for and against various policy options,
- evaluating policy options independently,
- finally, formulating an integrated proposal in which the respondent must deal with the tradeoffs between the different options.

Ultimately respondents are asked to make recommendations like an advisor to a policymaker. Thus the idea is that the citizens collectively act as ‘Citizen Cabinet’ to their representatives.

### **Selecting the Model Citizen Cabinet**

In its fully realized form, a Citizen Cabinet would be large enough (over 100,000 respondents) to provide a meaningful sample of respondents for every Congressional district, so that every Member of Congress could hear from a representative sample of his or her constituents. Members of the Citizen Cabinet would also make a commitment to be part of the Cabinet for an extended period.

For the model Citizen Cabinet, we selected a sample from a larger standing panel called the KnowledgePanel that is managed by the research company GfK. Though these surveys take place online, this panel is not derived from an “opt-in” process by which any online user can volunteer to be a respondent. Instead, panelists are recruited through a scientific process of selection using two methods: a random selection of possible US telephone numbers (also called random digit dial sampling, or RDD); and a random selection of residential addresses using the United States Postal Service’s Delivery Sequence File (a complete list of all U.S. residential households—including households that have only cell phones and often missed in random-digit-dial sampling). Persons in selected households are then invited by telephone or by mail to participate in GfK’s KnowledgePanel. Those who agree to participate but who do not have Internet access are provided a laptop computer and Internet service. A representative sample is then chosen for a specific survey. Once that sample completes a survey, the demographic breakdown of the sample is compared to the US census. Any variations from the census are adjusted by weighting.

Conducting surveys with this type of representative sample online has proven to be superior to standard telephone surveys, as respondents can take as much time as they like to read and respond to questions, thus increasing the thoughtfulness of their answers.

### **Developing the Policymaking Simulation**

To create the policymaking simulation, Voice of the People commissioned the Program for Public Consultation (PPC) affiliated with the School of Public Policy

at the University of Maryland.

PPC began by studying the primary sources on the status and outlook of Social Security, especially the documents issued by the Social Security Administration's (SSA) Actuary and the most recent Trustees' Reports. These were complemented by the Congressional Budget Office's comprehensive report of 2010, with its supporting materials in the form of Excel files; reports by the Congressional Research Service; and testimony before congressional committees.

From these materials PPC developed a comprehensive list of the key policy options for reforming Social Security that have received in-depth discussion in recent years. In particular they included ones that the SSA's Actuary has 'scored,' i.e., evaluated in terms of how much each option, if adopted, would affect the Social Security shortfall (typically at the request of Members of Congress). These options were specifically designed to address the shortfall through reducing benefits or raising revenues. They included:

- Reducing benefits for higher earners
- Raising the full retirement age
- Raising or eliminating the cap on income subject to the SS payroll tax
- Raising the SS payroll tax rate

In addition to options for reducing the shortfall, options for increasing benefits were also included, as they are very much in play in the Social Security reform debate. Naturally these would increase the size of the Social Security shortfall. They were:

- Raising the minimum benefit for retirees
- Providing a benefit supplement for the very old

Another part of the Social Security reform debate includes two proposals for modifying the way the annual cost of living adjustment (COLA) is calculated to ensure that benefits keep up with inflation. One of these would also constitute a means for reducing the Social Security shortfall:

- Basing COLAs on Chained CPI

The other would constitute a benefit increase:

- Basing COLAs on what the elderly tend to buy

These methods will be discussed in more detail below.

Second, PPC studied the expert debates on each of the reform options to identify the key arguments for and against each, drawing on materials from (among others): the Brookings Institution, the National Bureau of Economic Research, the Employee Benefit Research Institute, the Rockefeller Foundation, AARP, American Enterprise Institute, Heritage Foundation, the National Academy of Social Insurance, and the National Committee to Preserve Social Security and Medicare Foundation.

Third, from these materials PPC put together a draft policymaking simulation that included:

- a briefing with core information about how the Social Security program is structured
- a briefing on the nature and extent of the Social Security shortfall, along with its multiple causes
- presentation of the options for reforming Social Security including a description and information about the impact of the option on the shortfall
- presentation of arguments for and against each option for respondents to evaluate
- presentation of a scale for respondents to evaluate each option independently
- presentation of all the options in a spread-sheet format, to enable respondents to make their own comprehensive and integrated proposal, with an interactive feature that gave respondents feedback on how much of the shortfall had been covered
- for those who did not cover the shortfall, a list of alternative options for dealing with it, including other revenue sources and spending cuts

Fourth, the draft of the simulation then in progress was presented for review to a number of groups of experts. Primary were the lead majority and minority staffers of the House Ways and Means Subcommittee on Social Security, and the staffers who deal with Social Security on the Senate Finance Committee. Also consulted were experts from the National Academy of Social Insurance, the American Enterprise Institute and Social Security Works. They were asked

to review the simulation for balance and fairness; for whether the arguments presented were the best and most persuasive being made for a given position; and whether the options being covered were the ones playing a part in the range of discussions taking place in Congress.

Fifth, significant changes were made in response to the staffers' and experts' feedback. Some options were dropped while others were given more space. The initial briefings on Social Security and the shortfall were expanded and the order of presentation was changed. Numerous arguments were modified to reflect what was seen as the most salient and current.

### Fielding the Policymaking Simulation with the Model Citizen Cabinet

The policymaking simulation was administered online to the model Citizen Cabinet. The study was fielded over July 20-26, 2013 with a sample of 738 American adults. It has a margin of error of plus or minus 3.6%; with the design effect (1.4814) also taken into account, the margin of error is plus or minus 4.4%. Findings were weighted to census data.

## INITIAL BRIEFING ON THE SOCIAL SECURITY SHORTFALL

To begin the Social Security consultation, respondents received two briefings: one about the overall program and a second about the problem of the Social Security shortfall.

### Briefing on the Key Facts Regarding Social Security

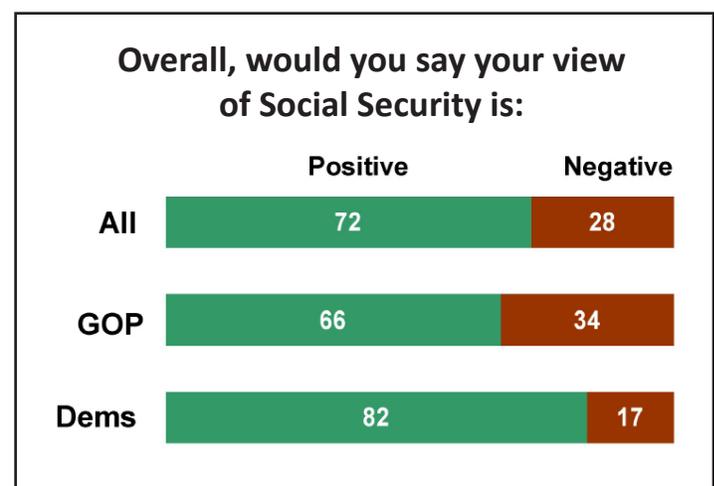
Initially, respondents were told (or reminded) about the payroll tax and its structure, and the relationship between the amount of payroll taxes paid and of benefits received.

In this exercise we are going to deal with Social Security—the program that provides monthly benefits primarily to Americans when they retire or when they are disabled and unable to work.

To get started, here are some basic facts about Social Security.

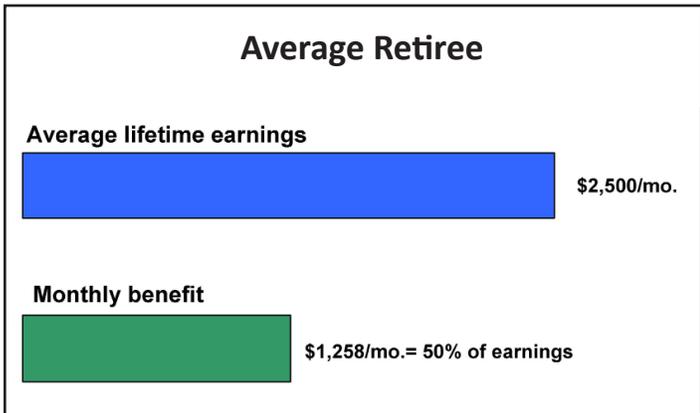
- All workers are required to pay 6.2% of all of their wages and salaries up to a certain maximum amount, called a cap, which is currently \$113,700 a year. Their employer pays a matching amount. These are called payroll taxes. Earnings above the cap are not subject to the payroll tax.
- Provided that workers have paid payroll taxes into Social Security for a total of at least 10 years, when they retire they receive monthly benefits for the rest of their lives.
- The level of benefits a person receives is related to his or her average earnings, and thus the amount of payroll taxes they have paid.

Respondents were then asked whether their view of Social Security was very positive, somewhat positive, somewhat negative, or very negative. Seven in ten (72%) had a positive view of Social Security, but half of the sample (50%) said this was only somewhat positive. Still, only 28% had a negative view of Social Security (7% very negative). As might be assumed, Democrats were somewhat more positive than Republicans. Eighty-two percent of Democrats had a positive view (30% very), while 66% of Republicans had a positive view (17% very).

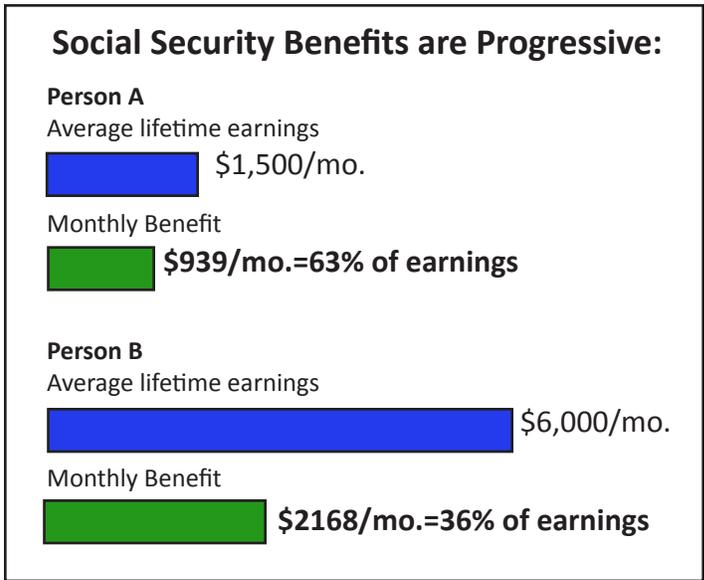


Respondents were informed about the average level of benefits received by retirees, in the text and through the presentation of a graph.

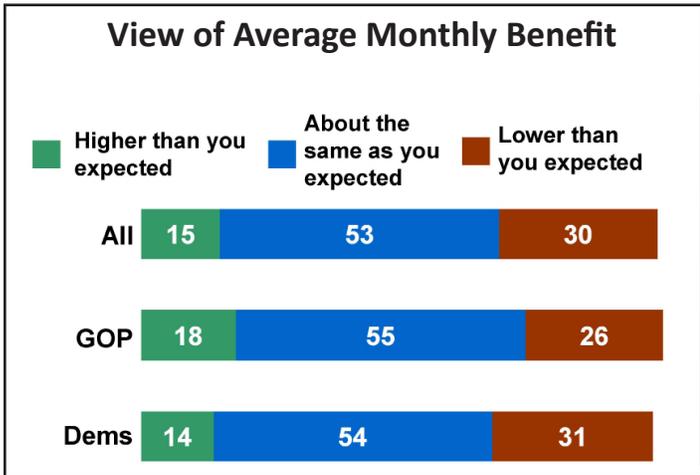
Currently, the average monthly benefit amount is \$1,258 a month. This is the benefit that goes to someone whose average lifetime earnings were about \$2,500 a month (adjusted for inflation). Thus, such a person receives about 50% of those earnings.



income workers do. Here is an example. If Person A’s average lifetime earnings were \$1,500 a month, Person A’s Social Security monthly benefit would be \$939 or about 63% of prior earnings. For comparison, if Person B’s average lifetime earnings were \$6,000 a month, Person B’s monthly benefit would be \$2,168, or about 36% of prior earnings.



Respondents were then asked whether the amount of benefits was about what they expected, or whether it was more or less than that. The majority (53%) said the benefits were about the same as they had expected. However, more felt the benefits were lower than expected (30%) than felt they were higher than expected (15%).



Next, respondents were told about the progressivity of Social Security’s benefits-to-earnings structure and shown examples of how this works, again, by text and graphic displays.

Benefits are progressive. This means that lower-income workers receive a higher benefit relative to their earnings before they retired than higher-

**Presentation of Overview**

Respondents were then told what Social Security issues they would be focusing on and what the process would be. The three issues were:

- The projected shortfall of the Trust Fund
- Whether benefits should be increased for certain groups
- How cost of living adjustments to benefits (COLAs) should be calculated

While all proposals would affect the shortfall, the proposals on benefit increases or COLAs were presented not simply as parts of the shortfall but engaging other values as well.

The three issues, and the roadmap of the simulation, were introduced as follows:

The first issue we will address is that the Social Security trustees have projected that in 2033 the Social Security Trust Fund will not have enough

funds to pay the level of benefits that are scheduled to be paid by present law. Benefits would then be financed from current payroll taxes only and would drop by 23%. We will call this the Social Security shortfall. You will be asked to consider approaches for dealing with this shortfall that include both reducing benefits and increasing revenues.

The second issue is whether Social Security benefits are adequate for certain groups. You will be asked to consider proposals for increasing benefits for certain groups.

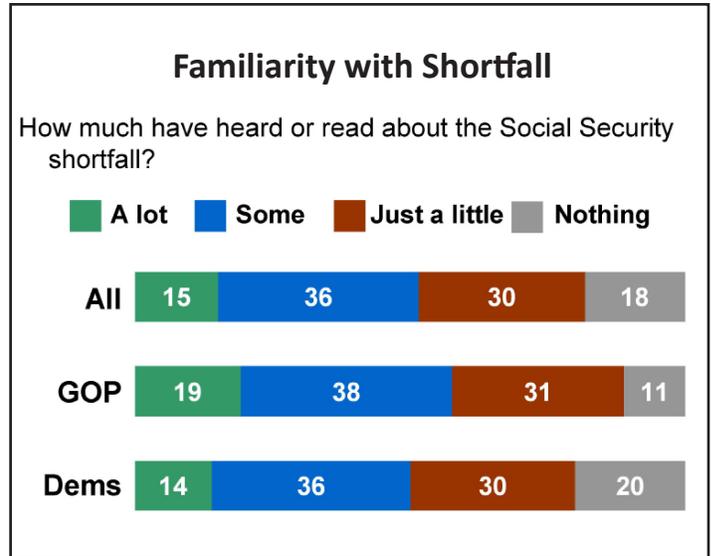
The third issue is how cost of living adjustments (or COLAs) for inflation should be calculated. You will be asked to consider two different proposals for changing this calculation.

Finally, you will be asked to select a package of proposals that you think would be best for reforming Social Security, while addressing the Social Security shortfall.

**Briefing on the Social Security Shortfall**

Before beginning the exercise proper, respondents were briefed on the nature and causes of the Social Security shortfall. The basic information in this briefing was derived from the SSA Actuary’s published materials, with additional points included at the suggestion of various experts consulted.

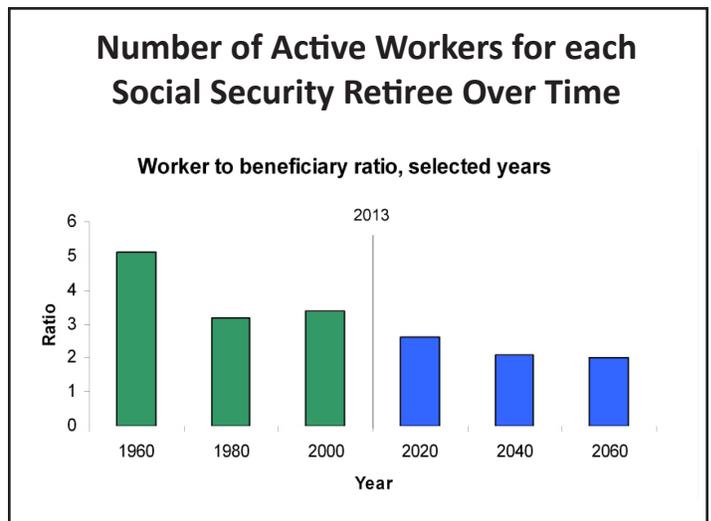
Before this briefing, respondents were asked how much they had heard or read about the shortfall. Fifty-one percent said they had heard some (36%) or a lot (15%). Forty-eight percent said they had heard just a little (30%) or nothing (18%). Republicans were somewhat more likely to feel familiar with the topic, with 57% saying they had heard some (38%) or a lot (19%). Democrats were very similar to the full sample, while independents were slightly less likely to have heard or read about the shortfall.



Respondents were then told that the shortfall has multiple major causes and that these would be presented to them over several screens. Some causes were illustrated with graphs.

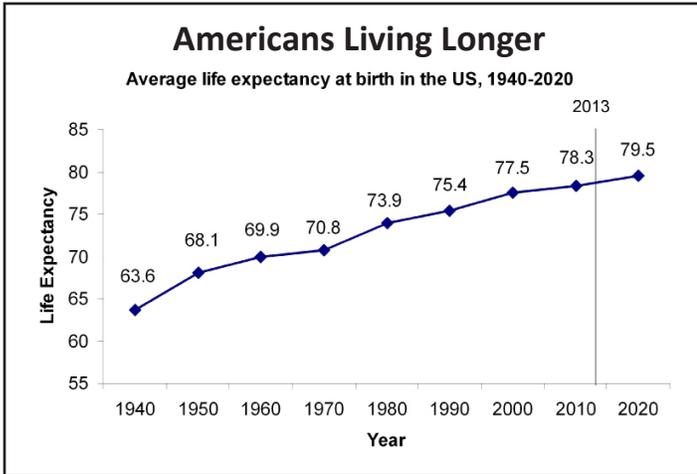
First, one part of Social Security’s demographic challenge was explained: lower birthrates in recent decades, compared to those of earlier decades.

Americans have been having fewer children, so the number of workers contributing to Social Security per Social Security recipient is going down. In the figure below you can see how this has changed over time and how it is projected for the future.



Then the second part of the demographic challenge was laid out: the increase in Americans' longevity.

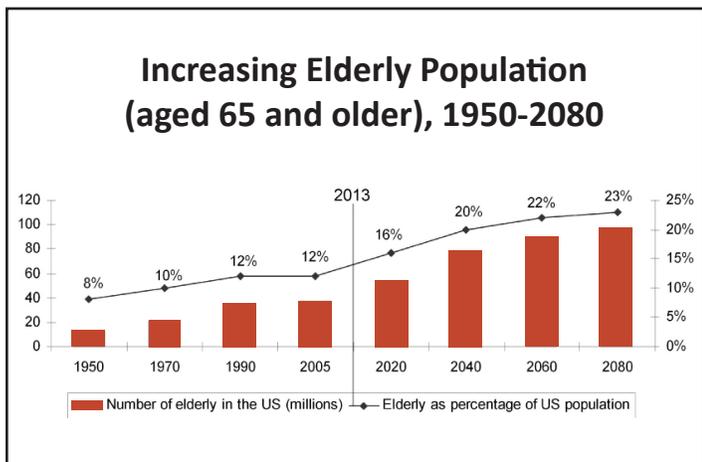
Another factor contributing to the shortfall is that Americans are living longer and thus receiving benefits for more years.



The briefing also reminded respondents that “Another factor contributing to the shortfall is that wages for middle and lower income workers have not been growing as expected.”

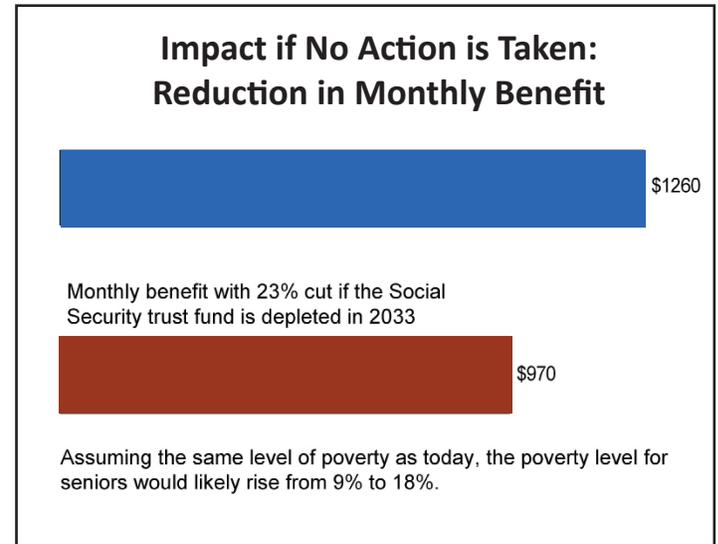
Then the cause of the shortfall that is most frequently referenced in the media was presented: the fact that the elderly percentage of the population is projected to go up steeply as the baby boom generation retires.

Another factor contributing to the shortfall is that the large baby boom generation is entering retirement and will be putting more demands on Social Security.



Last mentioned among these causes of the shortfall was the failure of Congress to address the issue: “Finally, contributing to the shortfall is the fact that Congress has not taken action for some decades to adjust revenues and benefits to keep the program in long-term balance. The last such legislation was in 1986.”

Having reviewed the causes of the shortfall, respondents were told, “The impact of the Social Security shortfall, if no action is taken, would be...(that) average monthly benefits, in current dollars, would go down from \$1,260 to \$970. And they were presented the following graph.



Respondents were also told: “And the percentage of seniors living under the poverty line would increase. Assuming the same level of poverty as today, it is projected that the poverty level for seniors would rise from 9% to 18%.”

## EVALUATION OF REFORM OPTIONS

Respondents then moved into the core of the policy-making simulation in which they evaluated fifteen options for Social Security reform. All of these options were ones that are in play in Congress and have been scored by the Social Security Actuary in terms of their impact on the Social Security shortfall.

Most of the options were ones that reduced the shortfall by either reducing benefits or increasing revenues.

## Evaluating the Options Separately

For each type of option, respondents were given a short briefing. In some cases these were accompanied by visual aids. Specifics about the timing of the option were included.

They were then presented one or more arguments for and against each option. Respondents evaluated each argument as either convincing or unconvincing (very or somewhat). It is worth noting that respondents were not asked whether they agreed or disagreed with the argument. Just as they would in the process of following a debate, respondents were assessing whether the argument itself had some persuasive power, based on the factual or value-based issues it raised. To ask respondents whether they agreed or disagreed could create a consistency effect when respondents considered the proposals later, thus curtailing the deliberative process.

In almost all cases, arguments both for and against a given option were found convincing by majorities of respondents. It appears that people were rating the argument as such, more than the option being argued for—because in some cases large majorities found a pro argument convincing, but then did not rate a proposal so highly; or they applauded a con argument but then found tolerable the proposal being discussed.

After evaluating arguments regarding the option, respondents were presented one or more concrete proposals based on the option. Each proposal was presented in terms of a gain and a cost, though these took differing forms. For most proposals, the gain was the amount by which the proposal would cover the shortfall, expressed as a percentage. (All such percentages were derived from analyses by the SSA's Actuary.) The cost was the proposal's effect on either benefits or taxes. For two proposals that increased benefits, the gain was the improved benefit itself, while the cost was the amount by which the proposal would increase the shortfall. In some cases respondents saw the effect of the proposal on an average or median earner.

Respondents then rated each proposal on a 0-to-10

scale, in which 0 was “not at all acceptable,” 5 was “just tolerable,” and 10 was “very acceptable.”

Of the 15 proposals, 12 were found at least tolerable by majorities. Three were found tolerable only by minorities.

## Making Up a Package of Proposals

After respondents had reviewed the options, evaluated arguments for and against each, and rated the proposals on a 0-10 scale, respondents were asked to make up their own package of proposals as follows:

Having considered these various proposals, we would now like you to complete the most important part of this exercise. On the next screen you will see all of the proposals you just evaluated, including the impact each proposal has on the Social Security shortfall. You will then select your own preferred package of proposals.

As you will see, some proposals are mutually exclusive. Thus, you will only be able to choose one of them.

In the box at the bottom of the next screen you will see the amount of the Social Security shortfall you have eliminated. When you make selections that increase the amount of the shortfall, this amount will increase.

Ideally, at the end, your package of selections will eliminate the Social Security shortfall, as well as covering the cost of any changes that increase the shortfall.

Thus, the last judgment respondents made on each proposal was whether to integrate it into a package of proposals, and these results are reported here in terms of what percentage of respondents selected a given proposal. It should be understood that this is not the same as simply favoring or opposing a proposal. In the context of building a package, at times respondents may have selected a proposal because it would mitigate undesirable effects of another proposal they had chosen—or may have not selected a proposal they had found acceptable in isolation,

because the ensemble of their other choices made it unnecessary.

## RESPONSES TO SPECIFIC OPTIONS

### LOWERING MONTHLY BENEFITS FOR PEOPLE WITH HIGHER EARNINGS

#### Key Findings

- Majorities found convincing arguments both for and against lowering monthly benefits for people with higher earnings. However, a slight majority of Republicans found the arguments in favor unconvincing.
- Asked to evaluate specific proposals, two thirds found it at least tolerable to reduce benefits for the top 25 percent of earners. Just under half found tolerable reducing benefits to the top 40 percent of earners, though a slight majority of Democrats did. Reducing benefits to the top 50 percent was found tolerable by only one in three, with little difference among the parties.
- In making up a final package proposal, eight in ten lowered monthly benefits for at least the top 25 percent. Only four in ten lowered monthly benefits for the top 40 percent, and only one in six lowered them for the top 50 percent.

One idea that has received significant attention from policymakers is to reduce the benefits that are presently scheduled for future retirees whose lifetime average earnings are above a certain level.<sup>1</sup> This idea was introduced to respondents in the following way:

One option for reducing benefits is to reduce the amount of benefits that people with higher earnings will receive when they retire in the future.

Currently, the more people earned while working

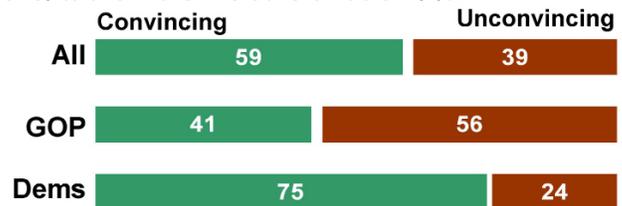
(up to \$113,700) the more they receive in monthly benefits. One option --for new retirees only-- is to gradually lower benefits for people who had higher earnings. Their benefits would still be higher than people who had lower earnings, but their benefits would be less than people in that income group are currently scheduled to receive.

#### Evaluating Pro and Con Arguments

Respondents were presented two arguments in favor, and two arguments against, this option. The first pro argument focused on the greater retirement resources available to the better-off at a time when the primary retirement resource for other people, Social Security, is facing problems. Fifty-nine percent found this convincing (22% very convincing), while 39% found it unconvincing (15% very). There were clear partisan differences in the reaction to this argument: only 41% of Republicans found it convincing, while three quarters of Democrats did (75%).

#### Argument FOR Reducing Benefits for Those with Higher Incomes

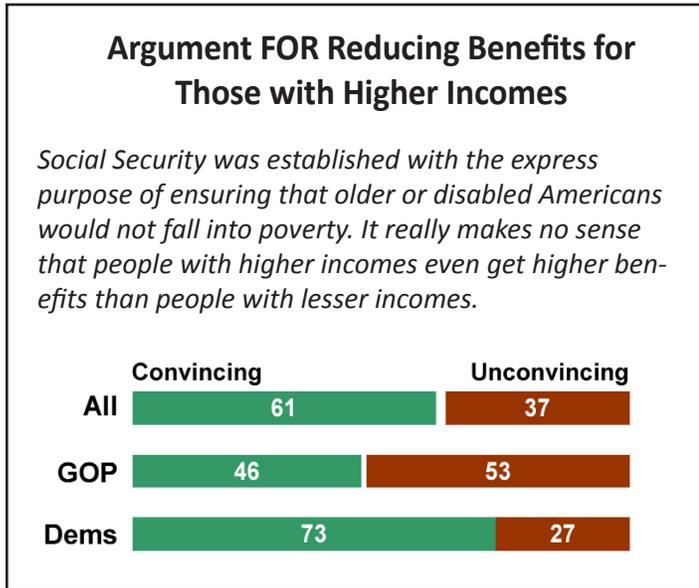
*We have to cover the Social Security Shortfall in one way or another. Wealthier retirees have other ways to fund their retirement, such as pensions and savings. But right now they get benefits that are higher than other people. This gap should be reduced so that their benefits are more like others. It's only fair.*



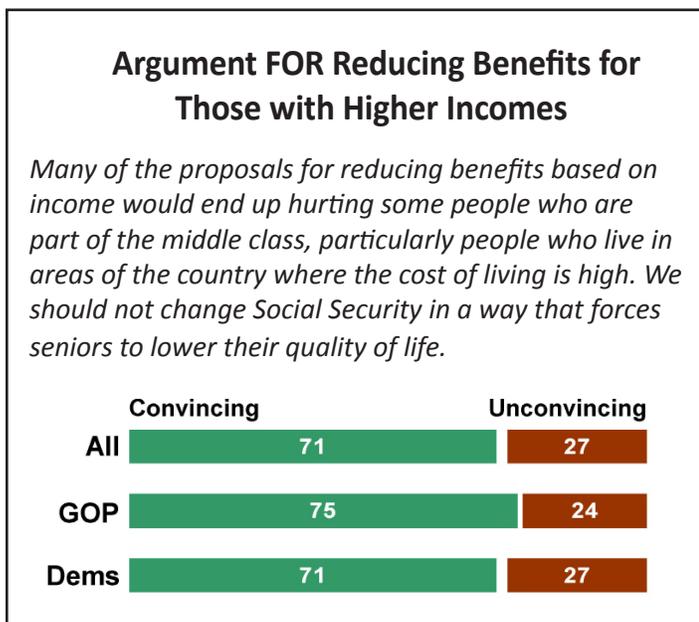
The second argument in favor of the idea cast Social Security as a poverty program directed at the less fortunate (a controversial assertion). This argument did about as well as the first, with 61% finding it convincing (23% very) and 37% unconvincing (15%

<sup>1</sup> The proposals for this section were based on the Social Security Administration Office of the Actuary's analyses for solvency provisions B1.1 through B1.4, available at <http://www.ssa.gov/OACT/solvency/provisions/benefitlevel.html#B1>. Minor extrapolations were made in order to give respondents a wider spectrum of choices as to what income levels would be affected.

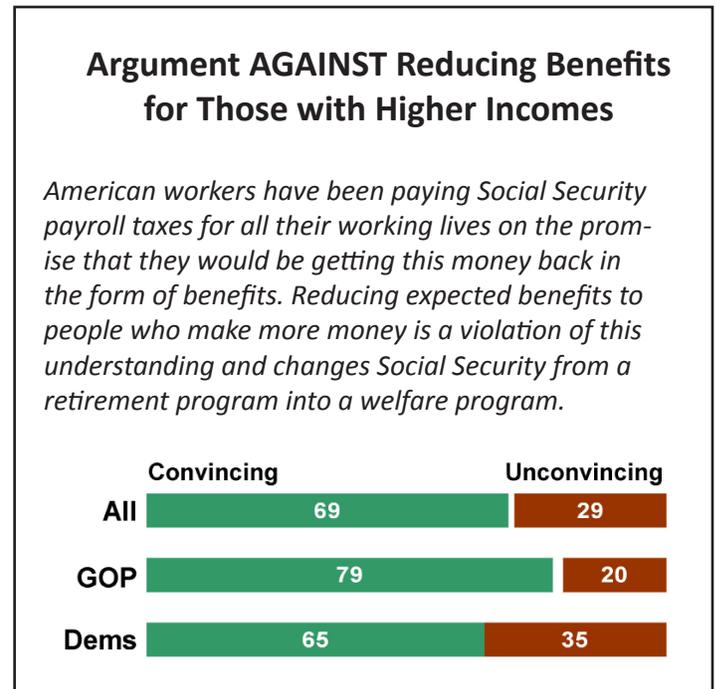
very). A 73% majority of Democrats found it convincing; among Republicans, only 46% found it convincing while a 53% majority found it unconvincing. (This argument may have done a little better with some Republicans because it downplays the universality of the program.)



The first argument against lowering monthly benefits for retirees with higher lifetime earnings cast doubt on whether such reductions could be appropriately targeted. This argument did better than either of the arguments that favored the idea, with 71% finding it convincing (23% very). Only 27% found it unconvincing (5% very). About as many Republicans (75%) as Democrats (71%) found the argument convincing.



The second con argument presented Social Security as a covenant that would be broken if the benefits formula was altered. Seven in ten (69%) found this convincing (28% very convincing), and 29% unconvincing (8% very). Interestingly, among the high 79% of Republicans who found it convincing, 41% called it very convincing, while Democrats were comparatively lukewarm (65% convincing, 19% very).



### Rating Proposals

Asked to evaluate specific proposals, two thirds found it at least tolerable to reduce benefits for the top 25 percent of earners—including a modest majority of Republicans—though less than half called it acceptable. Just under half found tolerable reducing benefits to the top 40 percent of earners, though a slight majority of Democrats did. Reducing benefits to the top 50 percent was found tolerable by only one in three, with little difference among the parties.

Before seeing the proposals, respondents were reminded that “All of these proposals would only apply to the benefits of new retirees. Their benefits would still be higher than people who had lower earnings, but their benefits would be less than people in that income group currently receive.”

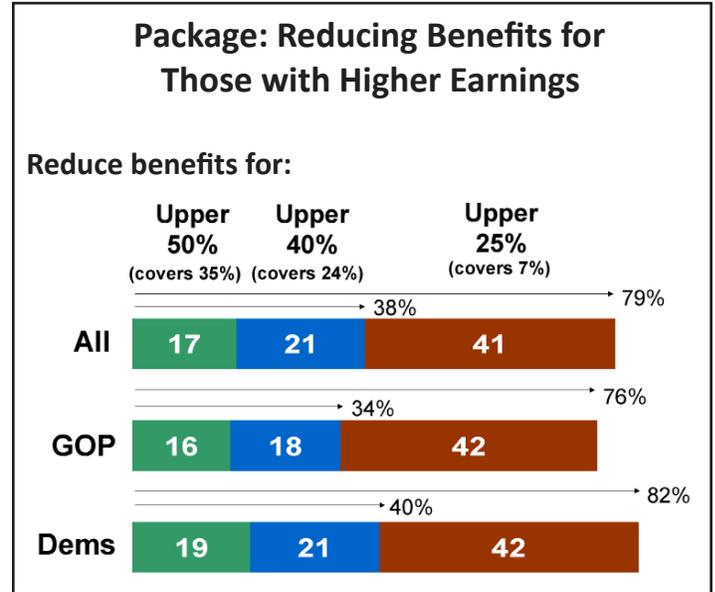
Here is how the first proposal was presented:

...to reduce the benefits for the top 25 percent of earners—that is, those whose average earnings over their lifetimes are about \$65,500 a year and higher. This would reduce the Social Security shortfall by 7%.

Sixty-six percent rated this proposal as either just tolerable (28%)—giving it a 5 on a 0-to-10 scale—or acceptable (38%), giving it a 6 or higher. Its mean score was 5.0. Thirty-four percent found it unacceptable (scoring it 4 or lower). Seventy-three percent of Democrats and 54% of Republicans found it at least tolerable, while 27% of Democrats and 45% of Republicans found it unacceptable.

The next two proposals were presented in the same format as the first. The second proposal would affect “the top 40 percent of earners... whose average earnings over their lifetimes are about \$47,000 a year and higher,” and would reduce the shortfall by 24%. A bare majority of 51% rated this proposal as not acceptable, while 26% found it tolerable and 21% acceptable (mean score: 3.9). Six in ten Republicans (62%) rated the proposal as not acceptable, while a slight majority of Democrats rated it as at least tolerable (53% either tolerable, 27%, or acceptable, 26%; 47% not acceptable).

The third and last proposal would affect “the top 50 percent of earners...whose average earnings over their lifetimes are about \$39,000 a year and higher” and would reduce the shortfall by 35%. This proposal was broadly unacceptable. Sixty-three percent rated it 4 or below (Republicans 70%, Democrats 60%), while just 36% rated it at least tolerable.



**Choosing a Package**

In making up a final package, eight in ten (79%)—including three quarters of Republicans (76%)—lowered monthly benefits for at least the top 25 percent. Only four in ten lowered monthly benefits for the top 40 percent or more, and only one in six lowered them for the top 50 percent.

**RAISING THE FULL RETIREMENT AGE**

**Key Findings**

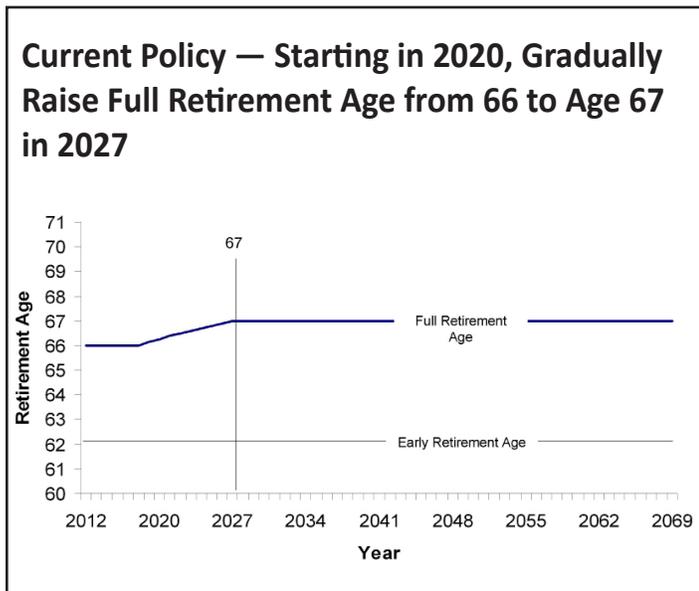
- Majorities found arguments both for and against raising the full retirement age convincing, though arguments against the idea did a bit better.
- Asked to evaluate specific proposals, six in ten found at least tolerable raising the age to 68, with no difference between the parties. Half found tolerable raising it to 69, with a slight majority of Republicans finding it tolerable and a slight majority of Democrats saying it would be unacceptable. Responses were approximately the same, though slightly lower, for raising the age to 70.
- In making up a final package proposal, eight in ten—overall and for both parties—raised the age at least to 68. Only four in ten raised the age to 69, and just one in four to age 70. However, a slight majority of Republicans raised the age to 69.

Perhaps the most widely known approach to dealing with the Social Security shortfall, mentioned frequently in media treatments of the topic, is to raise the full retirement age. This may be true in part because raising the full retirement age was an element in the last overhaul of Social Security in 1983 and is in current law. This rise is scheduled to eventually reach age 67.

Respondents were given a briefing, including a chart that explained that raising the retirement age was already part of current policy—as follows:

Another option is to reduce benefits by raising the full retirement age, which would reduce the total amount of benefits people would receive over their lifetime. (Note: This option does NOT change people’s ability to take early retirement—with correspondingly lower monthly benefits—which would still start at 62.)

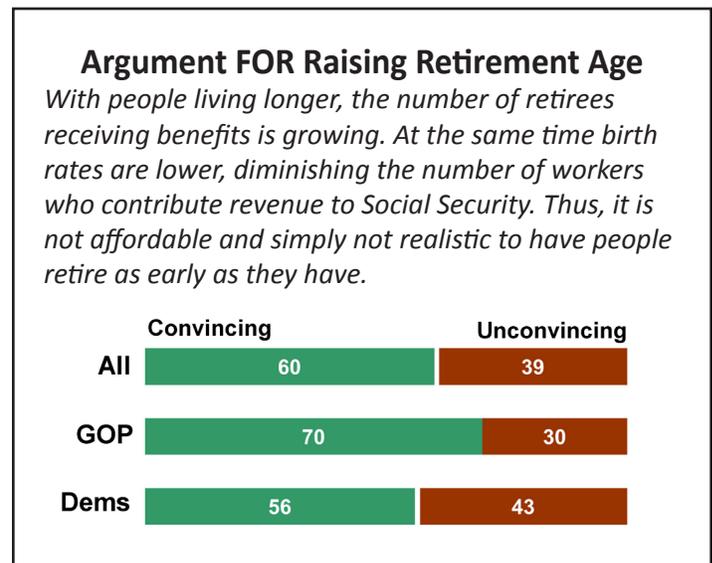
Currently, the full retirement age is 66 years. According to current law, it is scheduled to gradually rise until it reaches 67 by the year 2027 and then will stop rising. This has no effect on those already receiving Social Security. It does affect those born in 1960 or later. The graph below shows how the current law increases the full retirement age.



**Evaluating Pro and Con Arguments**

Overall, majorities found arguments both for and against raising the full retirement age convincing. Arguments against the idea did a bit better, though for one argument against, Republicans were divided.

The first argument in favor of raising the retirement age focused on the demographic reasons why it should be adjusted. Sixty percent, and majorities in both parties, found this argument convincing (16% very), while 39% found it unconvincing (11% very). However, more Republicans found it convincing (70%) than did Democrats (56%).



The second argument in favor of raising the retirement age pointed to the changes over past decades in people’s general health, and also in the types of work they do, to argue for starting retirement later. A 61% majority found this convincing (19% very), while 38% disagreed (15% very unconvincing). There was, again, notable variation between the parties with Republicans (73%) finding it more convincing than Democrats (59%), but majorities in both parties found the argument convincing.

**Argument FOR Raising Retirement Age**

*People at 66 are now much healthier than in the past and most of the work people do is much less physically demanding, so it is appropriate for people to work a little bit longer before retiring. Raising the retirement age is a common-sense response to how life has changed in the modern era.*



The first argument against raising the retirement age rebutted the argument just discussed, pointing out that the shift toward lighter work and desk jobs does not hold true for much of the work force. The two-thirds majority that found this convincing was larger than those for either of the pro arguments (67%, 25% very). Just three in ten found it unconvincing (31%; 6% very). There was little variation between Republicans (67%) and Democrats (70%) on this.

**Argument AGAINST Raising Retirement Age**

*Raising the retirement age is unfair because many workers in their 60s still hold physically demanding jobs -- blue collar jobs, or retail jobs where they are on their feet all day. For them, it is already a stretch for the retirement age to rise to 67 as planned; it should not rise any further.*

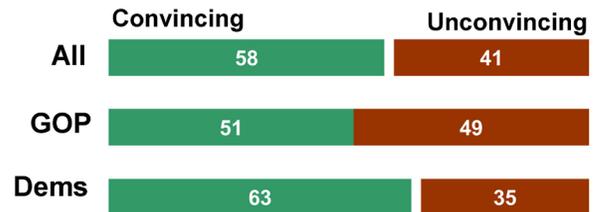


The second argument against raising the retirement age made the more complex point that the increased longevity among Americans is differentiated by race and income, not spread evenly over the population, and that this has implications for fairness in a program

designed to be universal. This argument against raising the retirement age did not do as well as the more fundamental one, discussed above, that there are still plenty of physically demanding jobs in the US. A 58% majority found it convincing (21% very), while 41% found it unconvincing (11% very). There were significant party differences: 51% of Republicans found it convincing, compared to almost two thirds of Democrats (63%).

**Argument AGAINST Raising Retirement Age**

*Raising the retirement age is just a benefit cut by another name -- in fact each worker will get less over their lifetime. It is particularly unfair to people with lower incomes and minorities. Because on average they do not live as long, they get less back in Social Security benefits over their lifetime for the amount they put in; thus, raising the retirement age will cut a disproportionately large percentage of their average lifetime benefits.*



**Rating Proposals**

Asked to evaluate specific proposals, six in ten found at least tolerable raising the age to 68, with no difference between the parties. Half found tolerable raising it to 69, with a slight majority of Republicans finding it tolerable and a slight majority of Democrats saying it would be unacceptable. Responses were approximately the same, though slightly lower, for raising the age to 70.

After the arguments, respondents saw three proposals for raising the full retirement age and rated the acceptability of each.<sup>2</sup> The first proposal was described as follows:

One proposal is to continue gradually raising the retirement age until it reaches 68 for people

<sup>2</sup> The proposals for this section were based on the Social Security Administration Office of the Actuary's analyses for solvency provisions C1.2 and C1.4, available at <http://www.ssa.gov/OACT/solvency/provisions/retireage.html>.

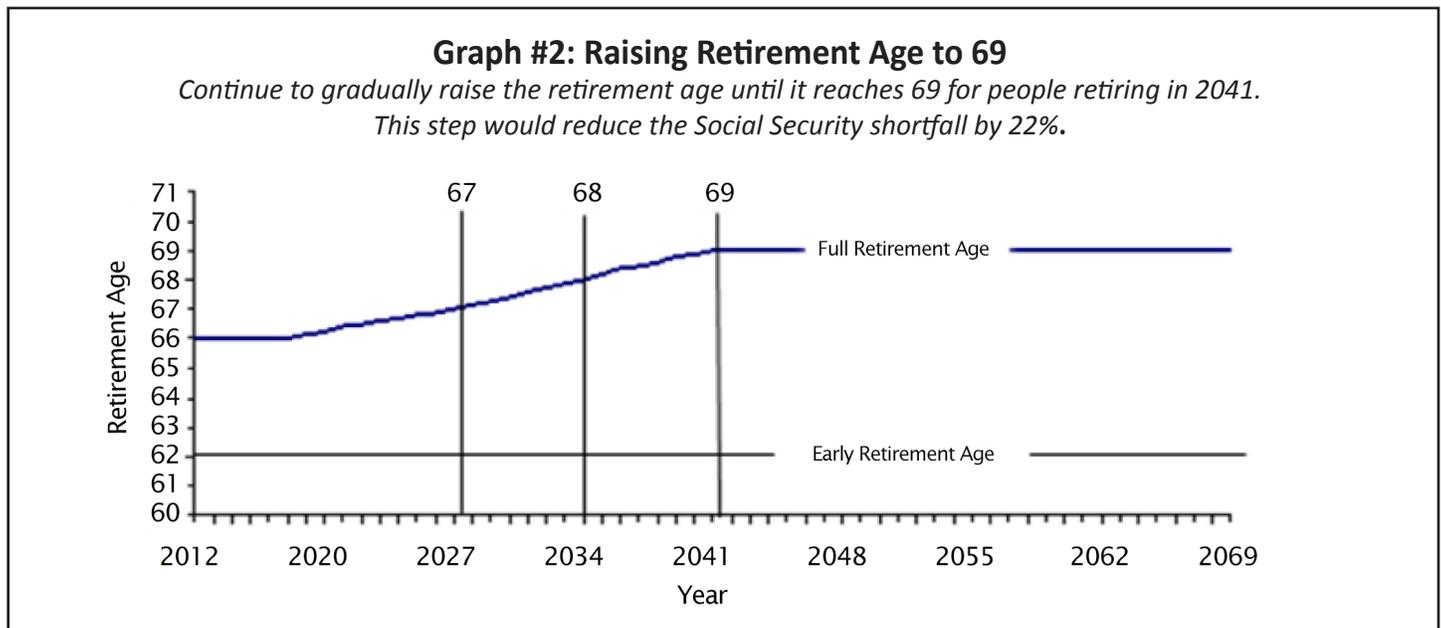
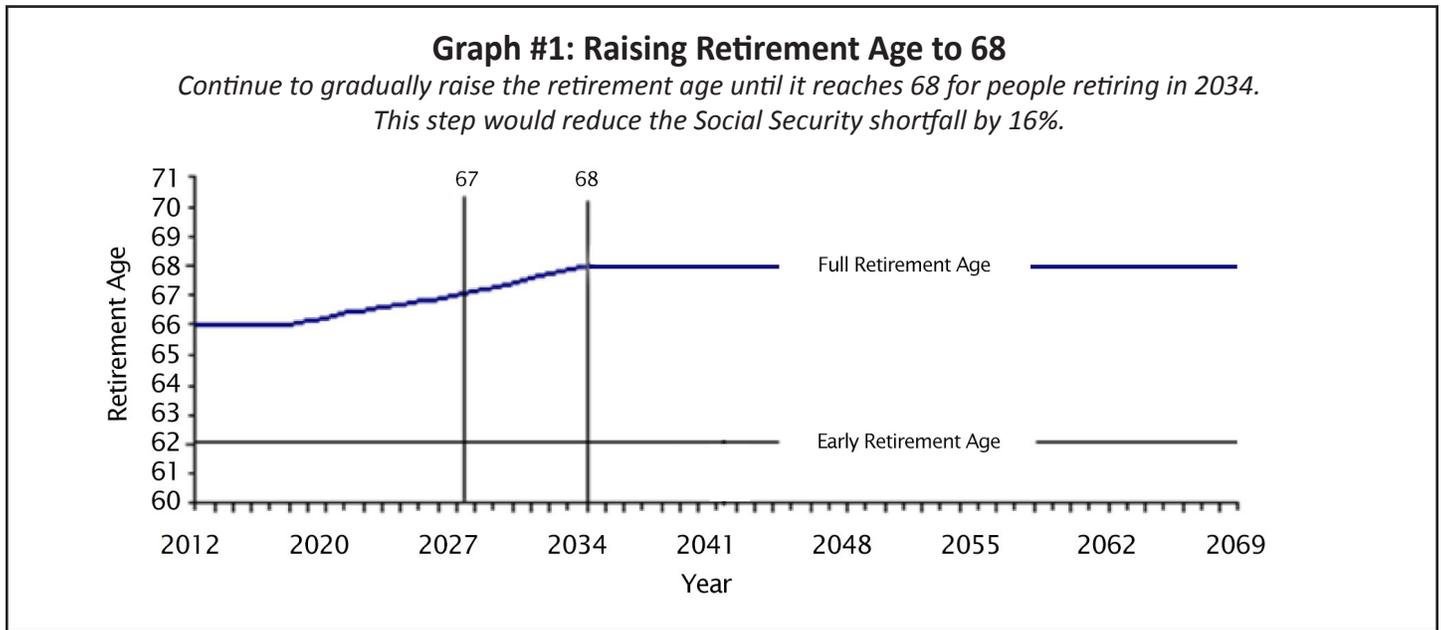
retiring in 2034. This step would reduce the Social Security shortfall by 16%.

Respondents also saw Graph #1 that put the proposal in the context of the rise in the full retirement age that will come through existing law that will come through existing law.

A substantial majority of 62% found raising the age to 68 at least tolerable (a 5 rating), including 36% who found it acceptable (6 or higher). Thirty-six percent said it was not acceptable (4 or lower). While similar majorities of both Republicans (65%) and Democrats (62%) found it at least tolerable, considerably more

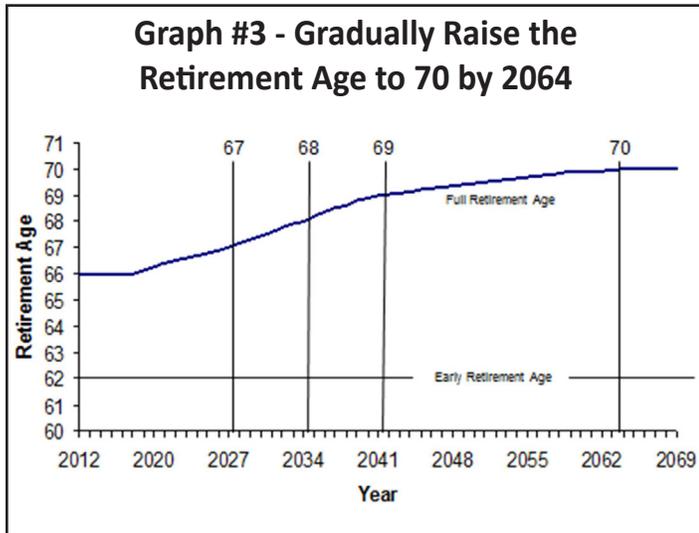
Republicans rated the proposal as acceptable (44%) than Democrats (36%). The mean rating was 4.8. The second proposal offered raised the retirement age further, “until it reaches age 69 for people retiring in 2041.” They were told it would reduce the Social Security shortfall by 22%, and shown Graph #2 to illustrate the proposal.

Respondents were divided, with 51% calling the proposal just tolerable (22%) or acceptable (29%), but 49% rating it as not acceptable. The mean rating was distinctly below 5 at 4.3, indicating that many who found the proposal unacceptable gave it quite low



scores. There was a modest partisan split. Among Republicans, 53% called the proposal at least tolerable, with 34% finding it acceptable, but 47% found it unacceptable. Conversely, among Democrats, a modest 53% majority called it unacceptable, while 46% said it was at least tolerable (acceptable, 27%).

The final proposal was to bring the full retirement age ultimately to 70 years—to raise it “until it reaches age 69 in 2041 and then slow the pace, raising it just a half a month per year raise until it reaches age 70 in 2064.” Respondents were told this would reduce the shortfall by 31%, and were shown an explanatory graph:



The ratings for this proposal were not very different from the preceding proposal that stopped at age 69. Forty-nine percent said the proposal was not acceptable, while 48% called it at least tolerable (acceptable, 27%). Republicans and Democrats barely differed, even though they leaned slightly in opposite directions. While 52% of Democrats found the proposal unacceptable, so did 48% of Republicans; and while 51% of Republicans found it at least tolerable, so did 46% of Democrats. The mean score was 4.1.

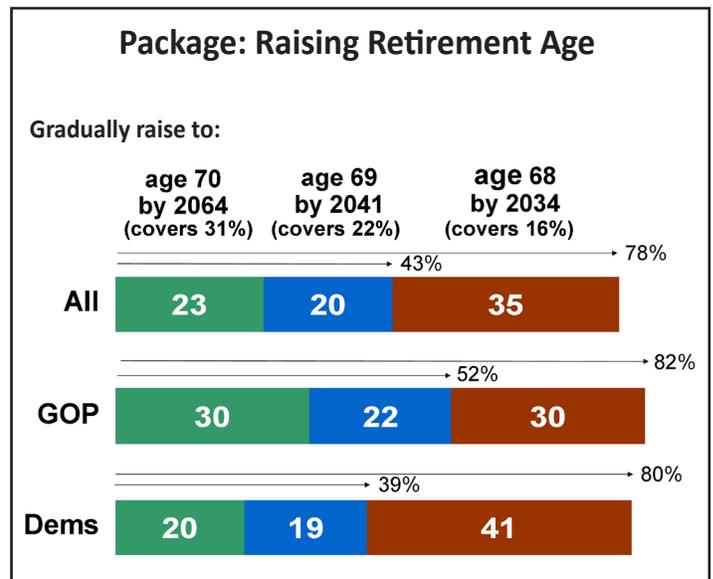
**Choosing a Package**

In making up a final package proposal, eight in ten—overall and for both parties—raised the age at least to 68. Overall only four in ten raised the age to 69, and just one in four to age 70. However, a slight majority of Republicans did raise the age to 69.

Seventy-eight percent made some increase, and thus were willing to raise the age at least to 68. The rise to 68 was selected by 35%; the rise to 69, by 20%, and the ultimate rise to 70, by 23%.

Among Republicans, 82% increased the retirement age, and they had the largest group willing to go all the way to 70 years (30% of Republicans). Another 30% preferred stopping at 68, while 22% stopped at 69. Thus a modest majority of Republicans were willing to increase the retirement age beyond 68.

Among Democrats, a similar 80% increased the retirement age, but half of this group (41%) increased it only to age 68. Nineteen percent of Democrats were willing to go to age 69, and 20% to age 70.



**RAISING THE CAP ON TAXABLE EARNINGS**

**Key Findings**

- Majorities—overall and for both parties—found convincing the arguments both for and against raising the cap on taxable income.
- Curiously, the argument for completely eliminating the cap did better than the argument for simply raising it, with three quarters overall finding it convincing, including seven in ten Republicans. The argument against eliminating it was found

convincing by slightly less than half.

- **The specific proposals of raising the cap from \$113,000 to \$215,000 over ten years, and eliminating the cap received approximately the same response—seven in ten, in both parties and overall, found them at least tolerable. Curiously, Republicans and independents found the proposal of eliminating the cap more acceptable than raising the cap.**
- **In making up a final package proposal, over 8 in 10 raised the cap to some extent. Eliminating the cap entirely was selected by a modest majority, including among Republicans. Another three in ten raised the cap to \$215,000.**

After focusing on how benefit reductions could help deal with the Social Security shortfall, respondents were directed to the approach of increasing revenues via the Social Security payroll tax.

### Raising the Cap to \$215,000 Over Ten Years

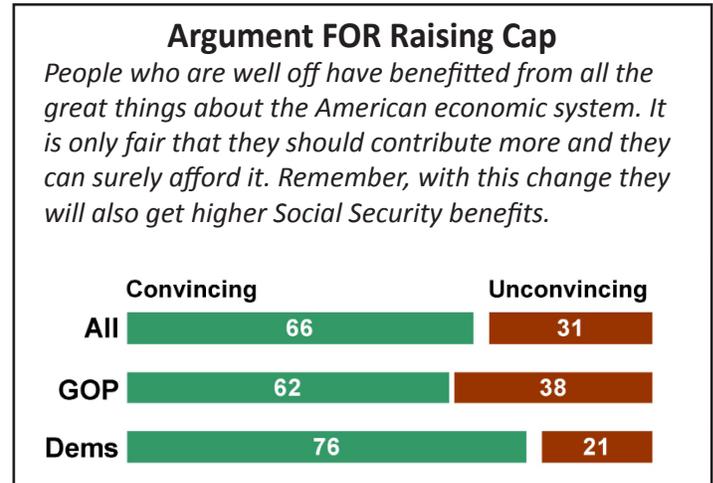
The first revenue idea that respondents evaluated was to significantly raise the cap on the amount of income subject to the payroll tax. This was presented to them in the following terms:

One option is to raise the maximum amount of salary and wages subject to the Social Security payroll tax (also known as raising the cap). Currently, the amount of salary and wages that is subject to the Social Security payroll tax includes up to \$113,700 per year. By this plan, the cap on salary and wages would rise, thus increasing the amount of taxes paid, but the corresponding benefits would also rise. This would reduce the Social Security shortfall by 30%.

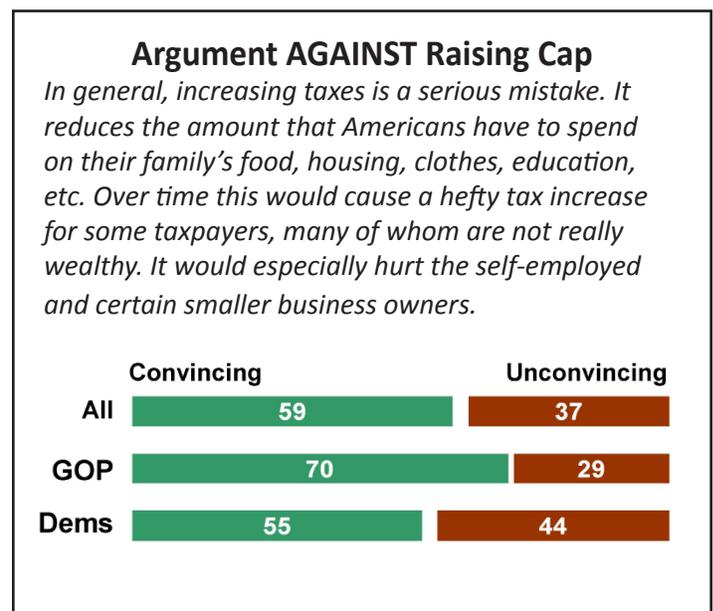
### Evaluating Pro and Con Arguments

Majorities—overall and for both parties—found convincing the arguments both for and against raising the cap on taxable income, with two thirds finding convincing the argument in favor, and six in ten the argument against. However, for Republicans, the majority finding the counter-argument convincing was larger.

The argument in favor of raising the cap made the claim that people with higher incomes have a responsibility to contribute more to Social Security. Two thirds (66%) found the argument convincing (23% very), while 31% found it unconvincing (11% very). Substantial majorities of both Republicans (62%) and Democrats (76%) found it convincing.



The argument against raising the cap emphasized the negative affects of raising taxes in general. This was found convincing by a majority, but a smaller one than that for the pro argument. Six in ten (59%) found it convincing (22% very), while 37% found it unconvincing (9% very). Seven in ten Republicans (70%) and a majority of Democrats (55%) thought it convincing.



**Rating the Proposal**

Asked to assess the specific proposal of raising the cap from \$113,000 to \$215,000 over ten years, seven in ten, in both parties and overall, found this tolerable, with nearly six in ten Democrats finding it even acceptable.

Respondents were told that the proposal would raise the limit “gradually, over a period of 10 years” on salary and wages subject to the Social Security payroll tax up to \$215,000 per year and that this would reduce the shortfall by 30 percent. Seven in ten—72%—said this proposal would be at least tolerable, and nearly half (48%) found it acceptable. Only a quarter found it unacceptable. Its mean rating was 5.7. Four in ten Republicans (43%) and a majority of Democrats (57%) found the proposal acceptable. Only 30% of Republicans called it unacceptable, while 21% of Democrats agreed.

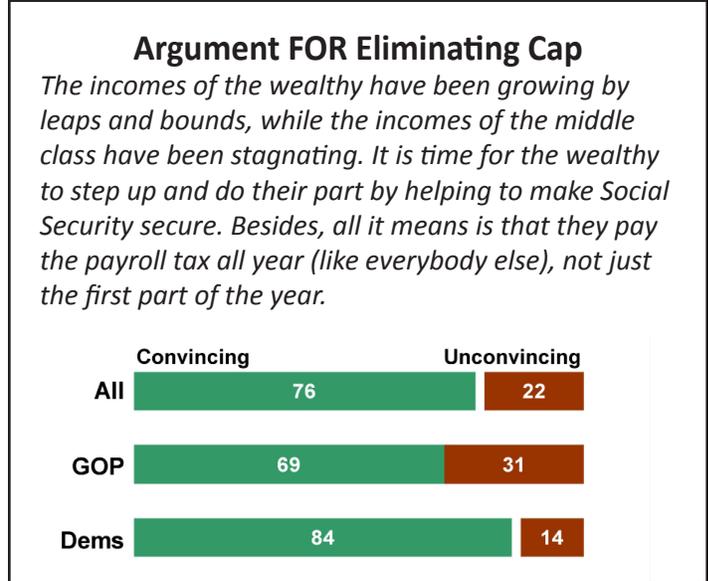
**Eliminating the Cap Entirely**

Respondents were then introduced to another idea that has received much discussion: to eliminate the taxable maximum altogether.

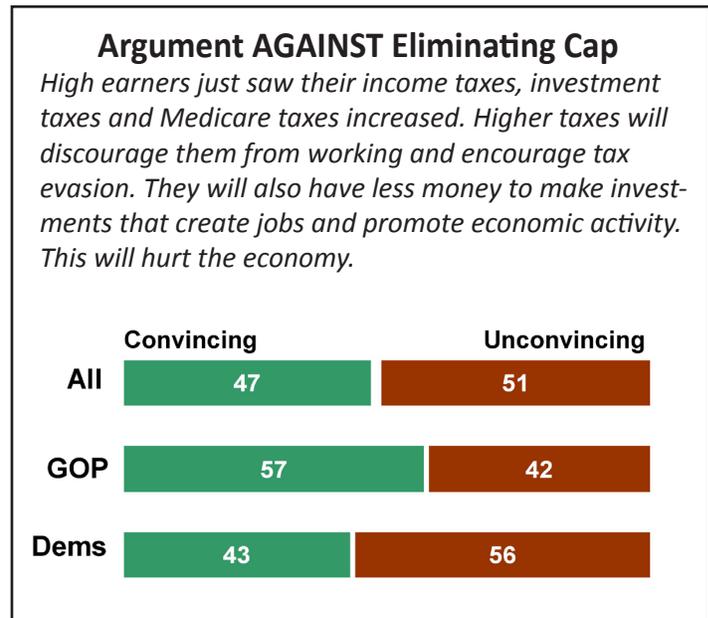
Another proposal goes further, eliminates the cap, and makes ALL salary and wages subject to the Social Security payroll tax. This would also increase the benefits paid to these people who pay more in Social Security taxes. This would reduce the Social Security shortfall by 72%.

**Evaluating Pro and Con Arguments**

Because the issues around eliminating the cap are quite distinct from those around adjusting it, this proposal was preceded by pro and con arguments specific to it. The argument in favor pointed out the differential between different income groups’ salary increases over the last few decades and suggested that the tax burden created by eliminating the cap would be well within the capacity of those affected. Three quarters (76%) found this argument convincing, with a high 40% finding it very convincing. Only 22% found it unconvincing (9% very). Sixty-nine percent of Republicans and 84% of Democrats said the argument was convincing.



The argument against eliminating the cap did exceptionally poorly. It pointed out that those who would be affected are the very people who are already experiencing a recent tax increase, and that another increase would discourage them from their pivotal role in economic activity. A bare majority (51%) found this argument unconvincing (18% very), while 47% did find it convincing (14% very). Republican and Democratic responses were mirror images of each other—yet for each, the majority position was less than overwhelming. A 57% majority of Republicans found the argument convincing (unconvincing: 42%), while 56% of Democrats found it unconvincing (43% convincing).



### Rating the Proposal

Respondents then rated the proposal to “eliminate the cap so that ALL salary and wages are subject to the Social Security payroll tax,” and were told that this would reduce the Social Security shortfall by 72%.

Seven in ten—overall and in both parties—found eliminating the cap tolerable. But curiously, more Republicans found the proposal of eliminating acceptable (half), than felt this way about raising the cap. Independents followed a similar pattern.

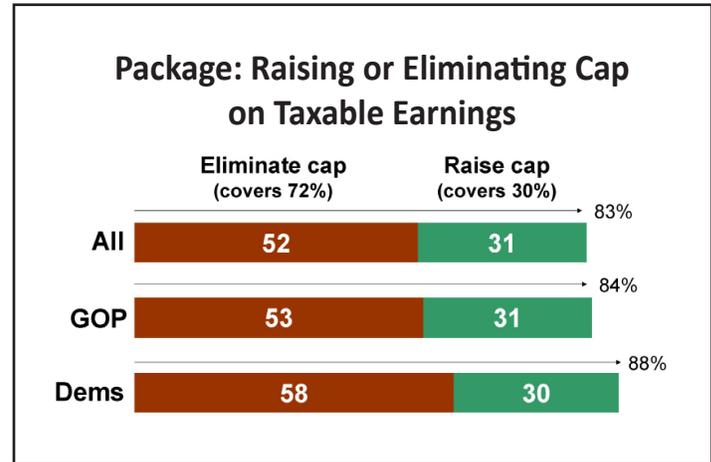
Overall, 72% found it at least tolerable to eliminate the cap, with 51% calling it acceptable; it was unacceptable for one in four (26%). The mean rating was 5.9. Republicans were strikingly like the full sample (70% at least tolerable, 50% acceptable), while Democrats were slightly more positive (73% at least tolerable, 55% acceptable).

The 50% of Republicans who found eliminating the cap acceptable, rating it 6 or above, was higher than the 43% who felt that way about adjusting the cap upward. This was also true of independents: 45% found eliminating the cap acceptable, while 36% said adjusting the cap was acceptable.

### Choosing a Package: Raising or Eliminating the Cap

Once respondents were selecting the proposals for their packages, they could choose only one (or none at all) of the proposals dealing with the cap on taxable earnings. Over four in five—83%—did include one or the other. A modest majority of 52% included eliminating the cap in their packages, while another 31% selected adjusting the cap upward to \$215,000.

Majorities of both Republicans and Democrats—53% and 58% respectively—decided to eliminate the cap. Thirty-one percent of Republicans and 30% of Democrats chose adjusting the cap. Slightly more Democrats than Republicans chose one of the cap-related proposals in making up their package. Independents were somewhat different, being about as likely to raise the cap (36%) as they were to eliminate the cap (40%).



### INCREASING THE PAYROLL TAX RATE

#### Key Findings

- **Large majorities found convincing the arguments both for and against raising the payroll tax rate. For both parties—especially Republicans—larger majorities found the con argument convincing.**
- **Asked to evaluate specific proposals, seven in ten—overall and for both parties—found it at least tolerable to raise the payroll tax rate from 6.2% to 6.6% over a number of years. Two thirds overall found it tolerable to raise the rate to 6.9% and six in ten found tolerable raising it to 7.2%. At these higher levels, Democrats were a bit more likely than Republicans to say the increases were at least tolerable.**
- **In making up a final package proposal, three quarters—overall and for both parties—raised the payroll tax rate to at least 6.6%. Nearly half of Democrats raised it to 6.9%, as did four in ten Republicans. Only one in five in all categories raised it to 7.2%.**

After considering how much of a taxpayers’ salary and wages should be subject to the payroll tax, respondents were asked to think about what the level of the payroll tax should be. Respondents were first reminded of the tax’s current level:

At present both workers and employers pay a tax of 6.2% on the amount of an employee’s sal-

ary and wages subject to the payroll tax. Self-employed people pay both the employer and employee share.

And were then presented an option for increasing the tax rate.

This option would increase the payroll tax rate very gradually, so that in the first year the rate would go up from 6.2% to 6.25% for both the employer and the employee. In the second year it would go up to 6.3%—and so on for a number of years.

Later they evaluated various options for how many years this increase would go on.

**Evaluating Pro and Con Arguments**

Respondents were then offered general arguments for and against raising the tax, with no reference yet to what a future higher level might be. The argument in favor described a higher tax as both a good investment and as socially fair. Three in five (60%) found this argument convincing (17% very), while 37% found it unconvincing (13% very). Fifty-seven percent of Republicans and 68% of Democrats found the argument convincing.

**Argument FOR Increasing Payroll Tax Rate**

*Social Security is a good investment because it provides a foundation for Americans’ retirement, as well as protection in the event of worker disability or a spouse’s death. Paying a little more now will shore up Social Security and make all Americans more secure later. It is also appropriate for employers to make slightly higher contributions to their employees’ retirement, since fewer and fewer offer any pensions.*



The argument against raising the payroll tax was based on a general drawback of raising taxes—that it leaves less money for potential savings—as well as specific drawbacks for the economy of raising the payroll tax in particular. A larger majority—73%—found this argument convincing (31% very), with 24% finding it unconvincing (5% very). Thus in this case the argument against the option clearly did better than the argument in its favor.

**Argument AGAINST Increasing Payroll Tax Rate**

*Raising the tax rate is bad for employees, especially people who are living paycheck to paycheck. Any increase leaves them with less to spend and less to save for retirement. It is also bad for employers because it increases their costs, leading them to cut back their employees, and makes it harder to create new jobs. And it is bad for the self-employed, who pay both the employer’s and employee’s share of the payroll tax.*



**Rating the Proposals**

Respondents were then offered three specific proposals, each a successively higher increase, all of them timing the increase at the same pace. The first proposal was to raise “the payroll tax rate 0.05% a year for 8 years so that it would ultimately rise to 6.6%.” They were also informed the proposal would reduce the shortfall by 18%.

For this proposal and each that followed, respondents were given an example to clarify the size of the extra bite from a paycheck: “For example, a median full time worker earning about \$39,000 a year would see their monthly payroll tax go up by \$13, from \$202 to \$215.”

Though—as we saw in the sample’s reactions to the arguments—respondents were dubious about the

general idea of raising the payroll tax, this proposal did not do badly. Two thirds (68%) found it at least tolerable, and 42% found it acceptable; three in ten (31%) found it unacceptable. The mean score was 5.2. Republicans were like the full sample: 70% found this particular tax increase at least tolerable and about half (49%) found it acceptable. Among Democrats likewise, 70% found it at least tolerable and 45% acceptable.

Respondents then dealt with a stiffer tax increase proposal:

A second proposal raises the payroll tax rate 0.05% a year for 14 years so that it would ultimately rise to 6.9%. A person earning \$39,000 a year would see their monthly payroll tax go up by \$22, from \$202 to \$224. This would reduce the Social Security shortfall by 35%.

This was at least tolerable to 66%, with 39% finding it acceptable—still a surprisingly favorable reception, given the respondents’ receptivity to the argument against a tax increase, as we have seen above. Thirty-one percent found it unacceptable, no more than for the first proposal. The mean score was 5.0. Republicans (like the full sample) had 66% finding it at least tolerable, and 43% thought it acceptable. The majority among Democrats was only slightly larger—70% found it at least tolerable and 42% acceptable.

For the last proposal in this series, respondents considered raising the payroll tax by a full point, which would make a significant contribution to solving the shortfall:

A third proposal raises the payroll tax rate 0.05% a year for 20 years so that it would ultimately rise to 7.2%. A person earning \$32,000 a year would see their monthly payroll tax go up by \$32, from \$202 to \$234. This would reduce the Social Security shortfall by 53%.

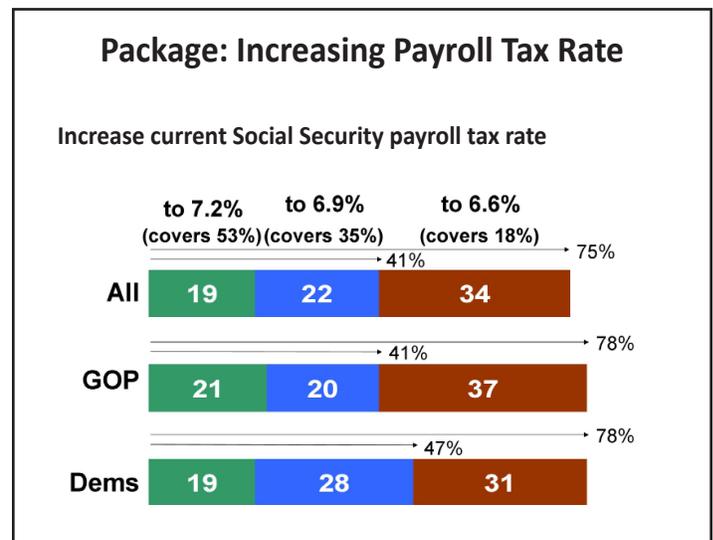
Fifty-eight percent found this proposal at least tolerable, with 35% finding it acceptable. Thirty-nine percent said it was not acceptable, eight points higher than for the preceding two proposals. Its mean score, unlike the other two proposals, was below 5 (4.7).

Republicans, perhaps surprisingly, were fairly similar to the full sample, with 55% finding a full-point tax increase at least tolerable and 36% finding it acceptable. Among Democrats, 61% found it at least tolerable and (again) 36% acceptable—thus though more Democrats than Republicans could tolerate the proposal, their enthusiasm for it was no greater than Republicans’.

**Choosing a Package**

When the time came for respondents to develop their own package, fully three quarters (75%) did have a payroll tax increase as a component. A third (34%) picked the first proposal, for an increase from 6.2 to 6.6 percent of payroll. Lesser numbers chose an increase to 6.9 percent (22%) or to 7.2 percent (19%).

Republicans made choices very similar to those of the full sample. Seventy-eight percent raised the payroll tax rate, with 37% picking the lowest increase, 20% the medium increase, and 21% the largest increase. Democrats showed a slight leaning, compared to the full sample, toward the medium increase to 6.9 percent. Thirty-one percent of Democrats chose the lowest increase, 28% the medium increase (higher than the full sample’s 22%), and 19% the largest increase.



**INCREASING BENEFITS**

*Key Findings*

- **Arguments for and against raising the minimum benefit were found convincing by large majorities. This was true of both parties, though Democrats were generally more favorable.**
- **Asked about a specific proposal for raising the minimum benefit from \$760 to \$1,134 a month, two thirds overall found this tolerable, though this was only true of a modest majority of Republicans.**
- **For the idea of providing a supplement to the very old, a large majority found the argument in favor convincing, while the argument against it elicited more mixed results.**
- **Presented a proposal for gradually raising the benefits for those 81 and older, six in ten found it at least tolerable, with only minor partisan differences.**
- **In making up a final package just under half selected the option of raising the minimum benefit, with a slight majority of Democrats as well as four in ten Republicans. Only about a third chose to raise benefits for those 81 and older.**

At this point in the exercise, respondents had already considered all the proposals that were expressly meant to help solve the Social Security shortfall. They now turned to proposals directed at other purposes. In the present section, they considered proposals meant to improve the income security of certain groups of retirees.

This shift in the subject matter was introduced in the following way:

We will now turn to the second major issue of whether Social Security benefits are adequate for certain groups. Proposals have been made by people who believe that benefits for certain groups need to be increased. This, in turn, would increase the Social Security shortfall.

**Raising the Minimum Benefit**

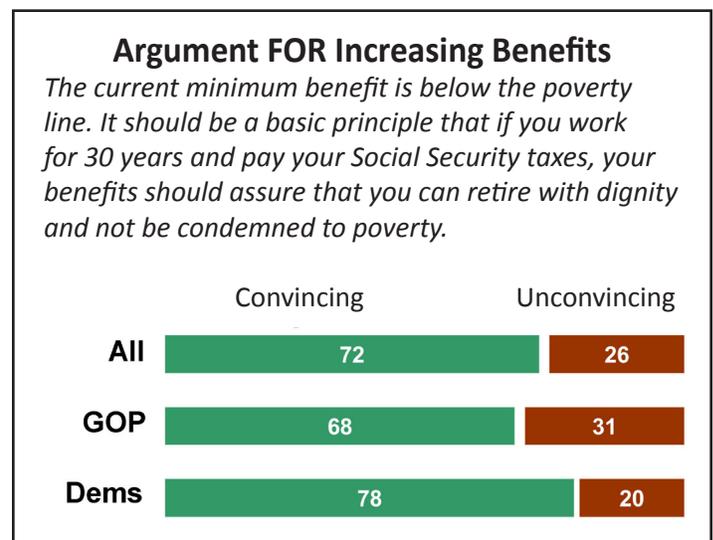
Told they would evaluate two proposals, they were first presented the one focused on low-income retirees.

The first proposal is to raise the benefit for those receiving the minimum benefit. Currently, the minimum Social Security benefit for someone who has worked 30 years or more is \$760 a month. The proposal is to raise this minimum to \$1,134 a month. This would be 125% of the poverty line.

This proposal would **increase** the Social Security shortfall by 7%.

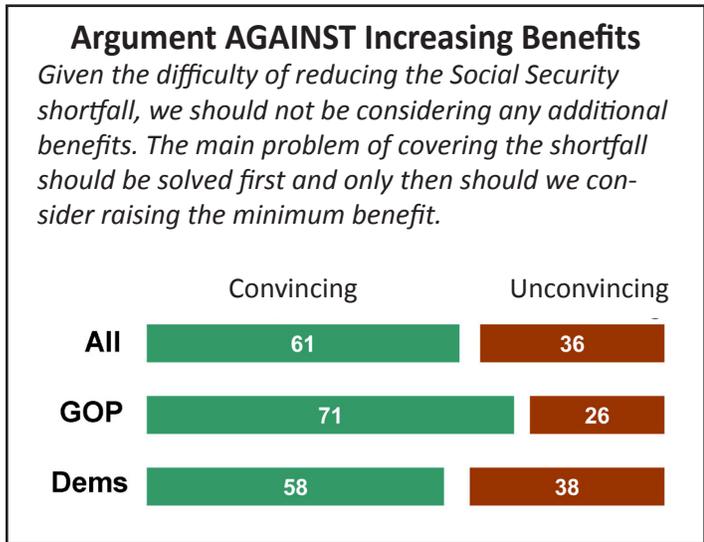
**Evaluating Pro and Con Arguments**

Respondents were presented one argument for, and one against, the minimum benefit proposal. The argument in favor was grounded on the issue of poverty among retirees. Seventy-two percent found this argument convincing (32% very), while a quarter (26%) found it unconvincing (9% very). Sixty-eight percent of Republicans and 78% of Democrats felt it was convincing.



The argument against raising the minimum benefit pointed out that the general problem of Social Security’s future solvency was more important than refining the system’s benefits. This did not do quite as well as the pro argument, but three in five (61%) found it

convincing (22% very). Thirty-six percent said it was unconvincing (13% very). A larger 71% of Republicans thought it was convincing, and 58% of Democrats agreed with them.



**Rating the Proposal**

Sixty-four percent of respondents decided the proposal to raise the minimum benefit was at least tolerable, and 35% found it acceptable. A third (34%) said it was not acceptable. Its mean rating was 5.0. A modest 55% majority of Republicans thought the proposal at least tolerable (30% acceptable), while a larger 70% of Democrats found it at least tolerable (40% acceptable).

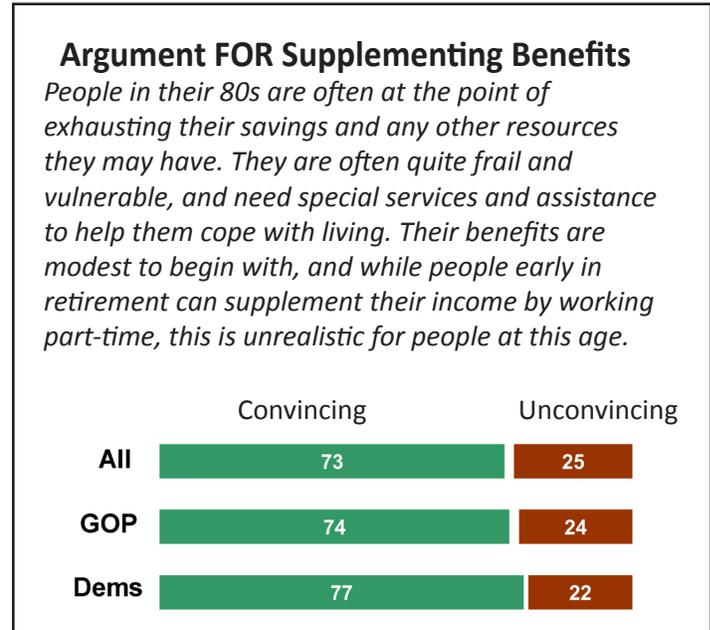
**Supplementing Benefits for the Oldest**

Respondents then turned to another type of proposal for increasing benefits, which did not involve retirees' income level, but instead would provide a universal supplement for all individuals older than 80 years. Respondents were told that "benefits would begin to gradually increase at age 81 and by age 85 the increase would be an extra \$61.50 a month." Later they were told that this would increase the shortfall by 6%.

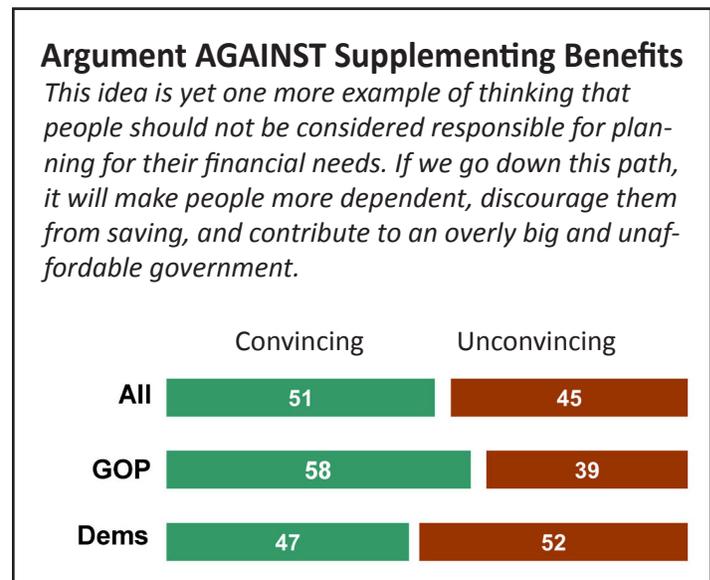
**Evaluating Pro and Con Arguments**

The argument in favor of the supplement focused on what life is like for most people who survive into their eighties. Seventy-three percent found this argument convincing (32% very), while 25% found it unconvinc-

ing (6% very). Republicans (74%) and Democrats (77%) hardly varied from the sample as a whole.



The argument against the supplement relied on the general point that individuals should take responsibility over their lifetimes to save and plan for the future. A bare majority of 51% found this argument convincing (17% very), while 45% found it unconvincing (15% very). As might be expected, it did better among Republicans than among Democrats. Six in ten Republicans (58%) found the argument convincing, while among Democrats (52%) found it unconvincing.

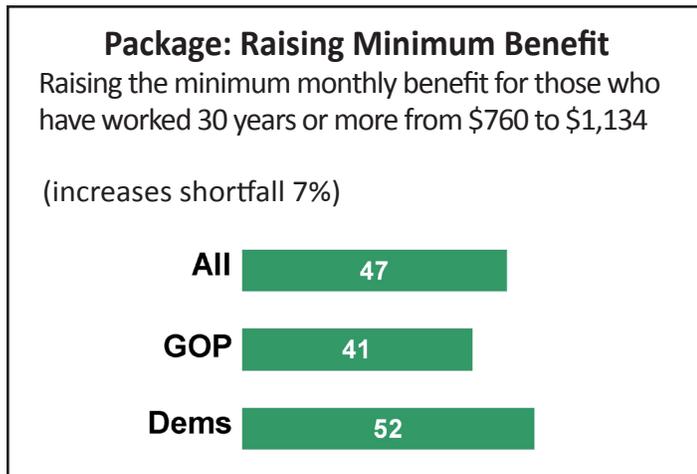


**Rating the Proposal**

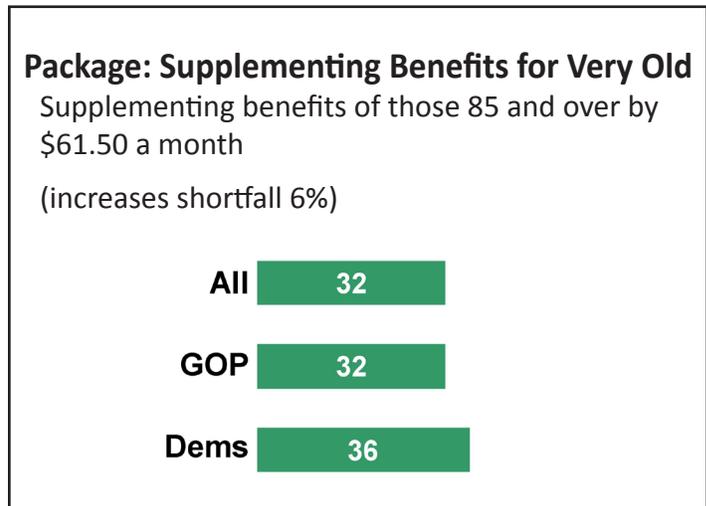
Sixty-one percent found the proposal to supplement benefits for the very elderly at least tolerable—just slightly lower than for the minimum benefit proposal, above—and 37% found it acceptable. Its mean score was 4.9. Thirty-six percent said it was not acceptable. A 58% majority of Republicans and a 67% majority of Democrats thought the proposal at least tolerable.

**Choosing a Package**

Once respondents were selecting proposals for their packages, they were able to choose one, both or none of the proposals that would increase benefits and also increase the shortfall. The proposal to increase the minimum benefit was distinctly more popular—selected by a little under half (47%) for their packages. Fifty-two percent of Democrats, 50% of independents, and 41% of Republicans chose to increase the minimum benefit.



The supplement to benefits for the oldest did less well, selected by 32% of the full sample and also of Republicans. Democrats were only slightly higher at 36% (independents, 24%). It is noteworthy that across party lines, respondents seemed to prefer an option that would increase the progressive structure of Social Security benefits over an option that used age as a criterion for increasing benefits.



**RECALCULATING THE COST OF LIVING ADJUSTMENT (COLA)**

**Key Findings:**

- Arguments for and against the proposal for recalculating COLAs according to ‘Chained CPI’ (which would reduce the rate of growth for benefits) were found convincing, with the con argument eliciting a slightly larger majority. Asked to rate the proposal, two thirds found it at least tolerable, with Republicans slightly more positive.
- Arguments for and against the idea of recalculating COLAs based on what the elderly tend to buy (which would increase the rate of growth), were also found convincing. Six in ten rated the idea as tolerable.
- When making up the final package neither option for modifying the methods for calculating COLAs was chosen by a majority, overall and for either party. One third chose the chained CPI and one in five chose the CPI based on what the elderly tend to buy. Partisan differences were slight.

The final type of proposal that respondents were asked to consider regarded the cost of living adjustments (COLAs) applied to Social Security benefits. These proposals were not presented as part of the problem of dealing with the shortfall—though their effect on the shortfall was indicated. Instead, the COLA-related proposals were considered in terms of

their accuracy and fairness in measuring inflation.

**COLA Based on Consumers’ Buying Behavior (The Chained CPI)**

While the chained CPI has received considerable attention as an approach that could contribute to dealing with the Social Security shortfall, respondents were briefed on its underlying premise as a more accurate way of calculating actual price inflation as experienced by the consumer. It was explained this way:

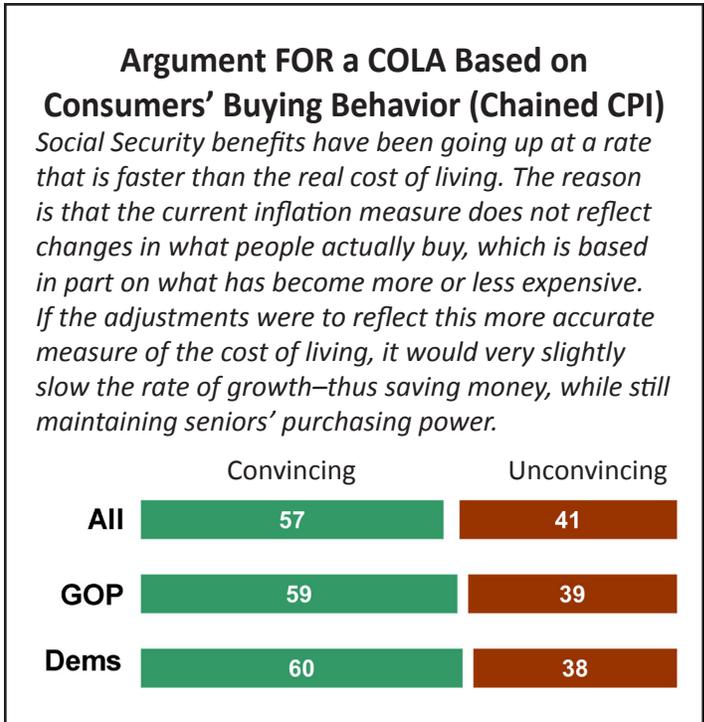
This proposal is to use a measure based on a set of goods that is selected based on what people in general actually buy, because these do change, especially in response to changing prices (this method is known as the chained CPI). As an illustration, if benefits are raised based on the prices for the current fixed set of goods and average benefits go up about \$32 a month or 2.5%, then if benefits are raised based on the prices for the goods people actually buy, average benefits would instead go up about \$28 a month or 2.2%.

Then the effect on future benefits, in comparison to those currently scheduled, was explained to respondents:

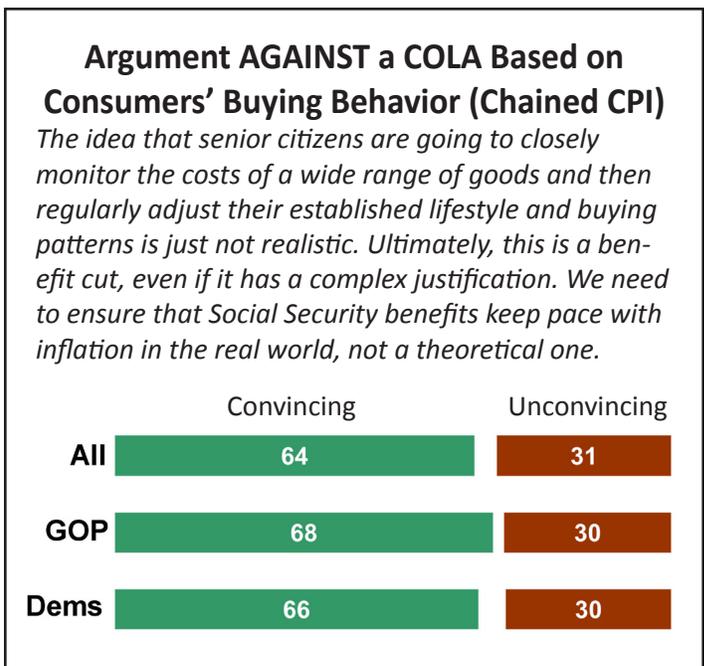
The effect of a lower COLA would compound over time. It is estimated that by making this change, benefits would grow more slowly, so that 10 years after retiring average monthly benefits would be about \$35 less than they would be under the current method. After 30 years average monthly benefits would be about \$107 less than by the current method.

**Evaluating Pro and Con Arguments**

Respondents evaluated one argument for, and one against, the idea of the chained CPI. The argument in favor claimed the chained CPI was a more accurate measure of consumer inflation and thus would not affect retirees’ purchasing power. A majority of 57% found this argument convincing (12% very), while 41% said it was unconvincing (also 12% very). There were no significant differences between Republicans and Democrats.



The argument against the chained CPI described it as oversophisticated and unlikely to reflect the buying behavior of senior citizens in the real world. This was found convincing by a larger majority than the argument in favor received: 64% (compared to 57%; very convincing, 23%). Thirty-one percent called it unconvincing (9% very). Neither Republicans nor Democrats varied from the full sample.



**Rating the Proposal**

Respondents were shown the proposal again and were told it would reduce the shortfall by 20%. Two in three (66%) found the chained CPI at least tolerable, with 34% saying it was acceptable. The mean score was below 5 at 4.9. A higher 71% of Republicans said it was tolerable (41% acceptable), while Democrats were very like the full sample (65%, 35% acceptable).

**COLA Based on Goods the Elderly Tend to Buy**

A different idea on COLAs that has also received some discussion is to examine the elderly as a consumer subgroup of the population and base an inflation measure on the elderly’s mix of goods and services purchased. While the previous idea of the chained CPI is—like the current measure—based on the US adult population, this measure would be based on the senior citizens who are the large majority of Social Security recipients.

The proposal was introduced to respondents as follows:

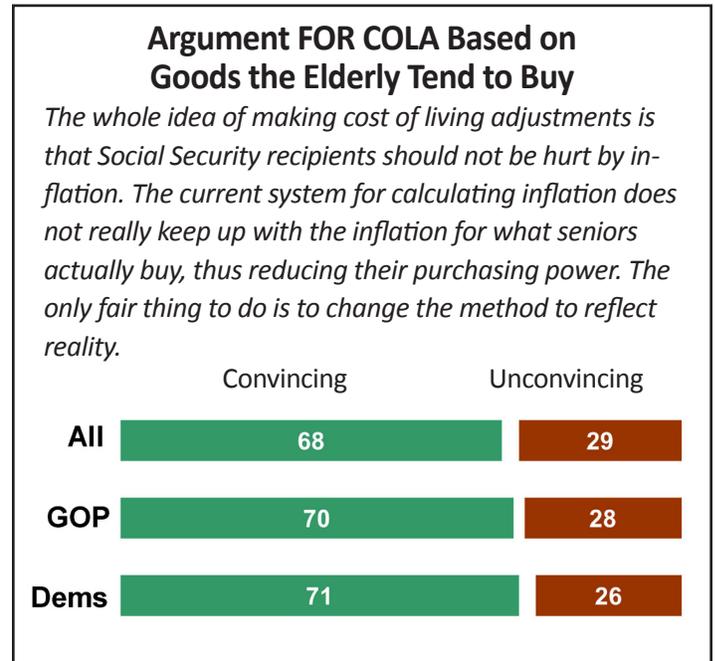
The second proposal for changing the COLA is to use a measure for inflation based on a set of goods that reflects what ELDERLY people tend to buy. Because they spend more than other Americans for out-of-pocket health care costs and those costs rise faster than average inflation, this method would make the cost of living adjustments go up faster than the present method.

As an illustration, it is estimated that if prices for the current fixed set of goods goes up 2.5% a year, the amount that prices go up for the goods ELDERLY people buy would be 2.7%.

The effect of a higher COLA would compound over time. It is estimated that by making this change, benefits would grow faster, so that 10 years from now they would be 2% more than they would be according to the current method. After 30 years they would be 5.7% more than by the current method.

**Evaluating Pro and Con Arguments**

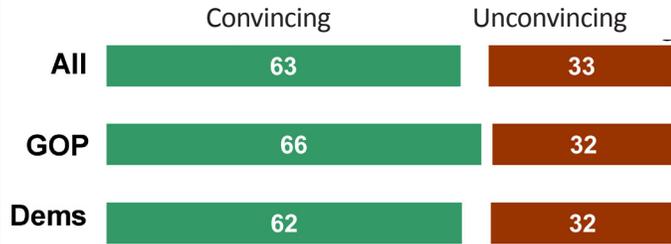
Respondents then were presented an argument in favor of, and an argument against, shifting to an inflation measure based on the elderly. The pro argument declared that such a measure would be more accurate. Two thirds (68%) found this a convincing argument (17% very), while 29% found it unconvincing (7% very). Republicans and Democrats had very similar reactions, with 70-71% finding it convincing.



The argument against this proposal pointed out that the process of refining benefit payments could go on forever, while the future solvency of Social Security is a pressing issue that should come first. Slightly fewer—63%—found this argument convincing (compared to 68% for the pro argument). A third (33%) said it was unconvincing (11% very). Republicans and Democrats were both like the full sample (66% and 62% convincing, respectively).

### Argument AGAINST COLA Based on Goods the Elderly Tend to Buy

*People can come up with all kinds of arguments for why this group or that group needs to get higher benefit payments. The reality we have to face is that Social Security is in trouble because it will not have the means to meet its obligations. We should be thinking of ways to reduce the shortfall, not make it worse by increasing the cost of living adjustment.*



#### Rating the Proposal

Having evaluated the arguments, respondents were reminded of the proposal and told what its effect on the shortfall would be: an increase of 14%.

Three in five respondents (60%) found the proposal at least tolerable, and 27% found it acceptable. Its mean score, however, was below 5 at 4.7. While 56% of Republicans found it at least tolerable, the 43% finding it unacceptable was higher than among Democrats or independents (35% and 31% respectively). For Democrats, the elderly CPI was tolerable to 62% and acceptable to 32%.

#### Choosing the Package: COLA Options

In making up the package, neither form of revising the consumer price index to make cost-of-living adjustments to benefits was chosen by more than one third of respondents.

It appears that, while the arguments for both options were found persuasive, they effectively cancelled each other out. It may be that were either one to be considered in isolation, each one would do better.

The chained CPI (which would improve the shortfall) was selected by 32%—including 36% of Republicans

and 29% of Democrats. The CPI for the elderly (which would worsen the shortfall) was selected by 20%—including 17% of Republicans and 22% of Democrats.

For clarity’s sake—and to remind respondents that the shortfall was not the primary issue in selecting a form of CPI—they were also offered the option of “continuing to base annual COLAs on the consumer price index,” that is, on the status quo. Twenty-seven percent explicitly chose the status quo (Republicans 29%, Democrats 30%). Another 21% made no selection from this category.

## OVERVIEW OF THE FINAL PACKAGE

#### Key Findings

- In choosing the final package overwhelming majorities—overall and for both parties—chose four options that would cover 71 percent of the shortfall or more. These included reducing benefits for the top quarter of earners, raising the full retirement age to 68 or more, raising the cap on income subject to the payroll tax to \$215,000 or higher, and raising the payroll tax rate from 6.2 to 6.6 percent or higher. Three in four or more Republicans and Democrats endorsed each of these options.
- A modest majority selected a further step of making all income subject to the payroll tax, which together with the other steps, would completely eliminate the Social Security shortfall. A modest majority of Republicans as well as six in ten Democrats chose this option.
- Just less than half chose the option of increasing minimum monthly benefits, though a slight majority of Democrats did so. Only one in three chose to supplement the benefits of the very elderly. However, 7 in 10 chose one of these increases.
- Only small minorities selected each of the options for changing the way cost of living adjustments are calculated.
- Overall, six in ten created packages that fully eliminated the shortfall, after including their choices

that increased the shortfall.

- **Those who did not cover the shortfall in their package were asked how the shortfall should then be covered. The most common response was to reduce defense spending, followed by reducing non-defense spending and raising other taxes. Only very small numbers elected to let Social Security benefits decrease or to borrow the funds.**

### Reducing the Shortfall

In selecting their packages of proposals, overwhelming majorities of Republicans and Democrats agreed on four options for reducing the shortfall:

- reducing future benefits for higher earners
- increasing the full retirement age
- altering the cap on taxable income
- increasing the payroll tax rate

Seventy-five percent agreed on options that would eliminate at least 71% of the shortfall or more, including 76% of Republicans and 78% of Democrats.

#### *Reducing Benefits for Higher Earners*

Eight in ten (79%) lowered monthly benefits for at least the top 25 percent. This included 76% of Republicans as well as 83% of Democrats. Overall, four in ten went further by lowering monthly benefits for the top 40 percent, and one in six lowered them for the top 50 percent.

#### *Increasing the Full Retirement Age*

Eight in ten—overall and for both parties—raised the age at least to 68. Overall only four in ten raised the age to 69, and just one in four to age 70. However, a slight majority of Republicans did raise the age to 69.

#### *Altering the Cap on Taxable Income*

Over four in five—83%—altered the cap, either raising it or eliminating it, including 84% of Republicans and 89% of Democrats. A modest majority of 52% completely eliminated the cap, while another 31% selected adjusting the cap upward to \$215,000. Majorities of both Republicans and Democrats—53% and 59%

respectively—decided to eliminate the cap.

#### *Increasing the Payroll Tax Rate*

Fully three quarters (75%) had a payroll tax increase as a component of their package, increasing it to at least 6.6% from its current level of 6.2%. This was true of 78% of both Republicans and Democrats, with independents lower. Four in ten went further and raised it to at least 6.9% and one in five raised it to 7.2%.

#### *Increasing Benefits*

Seven in ten (70%) chose at least one of the two options for increasing benefits, with only 10% choosing them both. Sixty-three percent of Republicans and 78% of Democrats chose one of these options. But neither option was chosen by a majority.

#### *Increasing the Minimum Benefit*

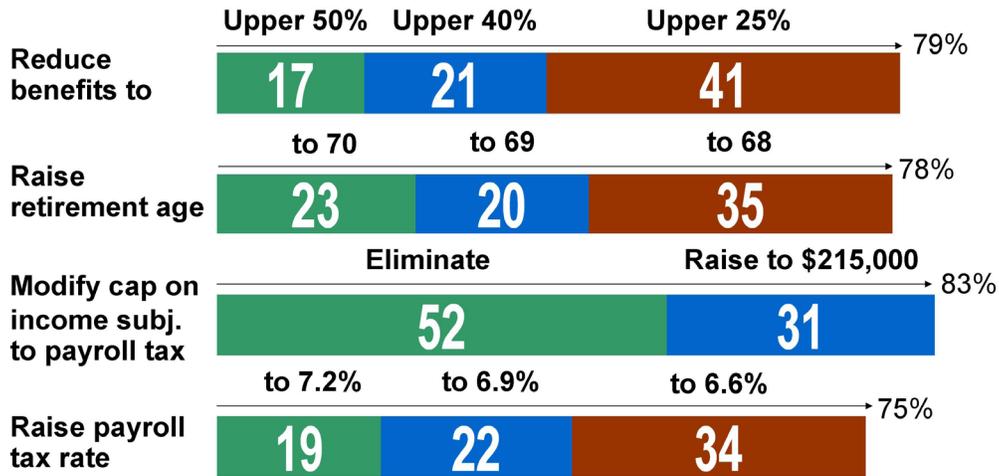
The proposal to increase the minimum benefit, in order to ensure that Social Security recipients would not fall below the poverty line, was the more popular of the two ideas for increasing some groups' benefits. However, it did not garner the kind of majority endorsement gained by those options aimed at addressing the Social Security shortfall.

Increasing the minimum benefit was selected by a little under half (47%) for their packages. Fifty-two percent of Democrats, 50% of independents, and 41% of Republicans chose to increase the minimum benefit.

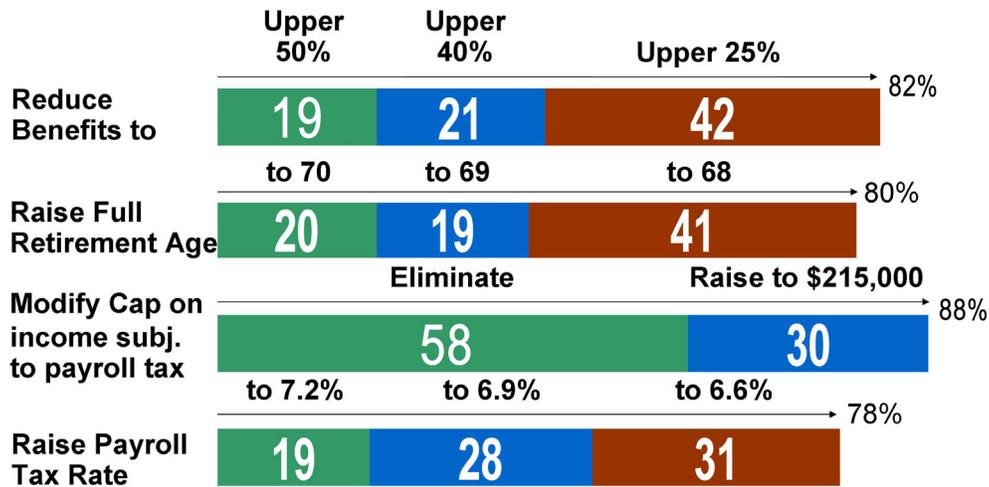
#### *Supplementing the Benefits for the Very Elderly*

The supplement to benefits for the oldest did less well than increasing the minimum benefit; it was selected by 32% of the full sample, including 32% of Republicans and 36% of Democrats (independents, 24%). It is noteworthy that across party lines, respondents seemed to prefer an option that would increase the progressive structure of Social Security benefits over an option that used age as a criterion for increasing benefits.

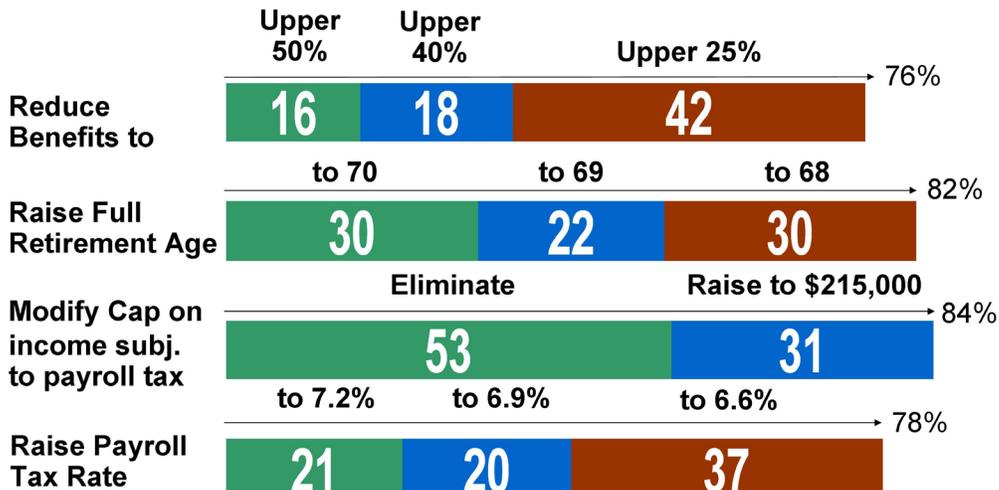
## Package: Summary of Options for Covering Shortfall



### Democrats



### Republicans



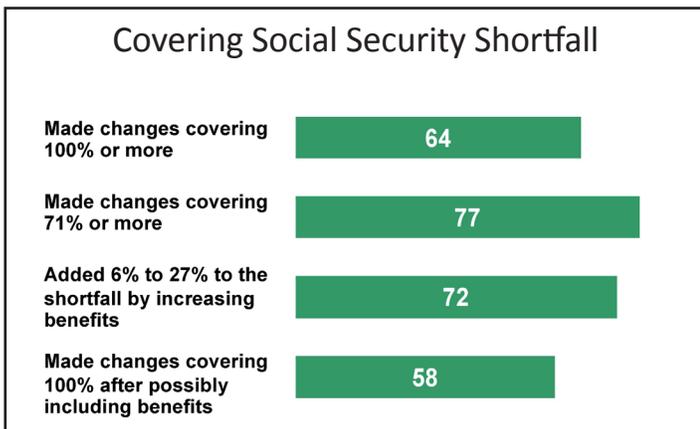
**Recalculating COLAs**

In making up the package, neither form of revising the consumer price index to make cost of living adjustments to benefits was chosen by more than one third of respondents. The chained CPI (which would improve the shortfall) was selected by 32%—including 36% of Republicans and 29% of Democrats. The CPI for the elderly (which would worsen the shortfall) was selected by 20%—including 17% of Republicans and 22% of Democrats.

**INDIVIDUAL TOTAL PACKAGES**

Looking at individual total packages, including choices that increased as well as reduced the shortfall, six in ten (58%) created packages that covered 100% of the shortfall, including 60% of Republicans, 62% of Democrats, and 46% of independents. Seventy-seven percent covered more than 70% of the shortfall, including 80% of Republicans, 80% of Democrats, and 66% of independents.

A very large majority (72%) chose at least one of the options that increased the shortfall, i.e., increasing minimum benefits, supplementing benefits for the very old, or changing COLA calculations to take into account what the elderly tend to buy. This included 67% of Republicans and 79% of Democrats.



**COVERING THE SHORTFALL IN SOME OTHER WAY**

Respondents who covered less than 100% of the shortfall were told “The package of proposals you have chosen still leaves a Social Security shortfall,” and were

asked: “How would you like to deal with this shortfall?” They were told they could choose to either “go back and adjust [the] package of proposals to cover the shortfall,” or “have the government deal with the shortfall some other way.” Those who chose to go back were taken back to the point in the survey where they constructed their total package and given the opportunity to revise it.

The thirty-eight percent who did not fully cover the shortfall in the package (the first time or after making revisions) were then shown a list of the other “ways the government could deal with the shortfall.” They were able to choose all the options that they felt applied. The five options and the percentage of the full sample that chose them were:

- Reduce defense spending ..... 17%
- Reduce non-defense spending (such as transportation, veterans’ affairs, homeland security, the environment, and other areas) .. 13%
- Raise other taxes, such as income and corporate taxes ..... 12%
- Let Social Security benefits decrease when the trust fund can no longer pay them in full .....4%
- Borrow the funds .....3%

Thus, among the minority who did not fully cover the shortfall, the overwhelming preference was to handle the problem within the main budget and general revenue, by reducing other spending or raising other taxes. Only 3-4% were willing to either borrow the funds, or to let benefits decrease by the projected 23 percent.

**CHOICES MADE BY AFFECTED SUBPOPULATIONS**

Since various options to cover the Social Security shortfall involve burdens that fall onto some groups more than others, it is natural to ask whether or not there are differences in support for specific options among the groups most affected by them. There are three options that raise this question strongly: reducing future benefits for those with

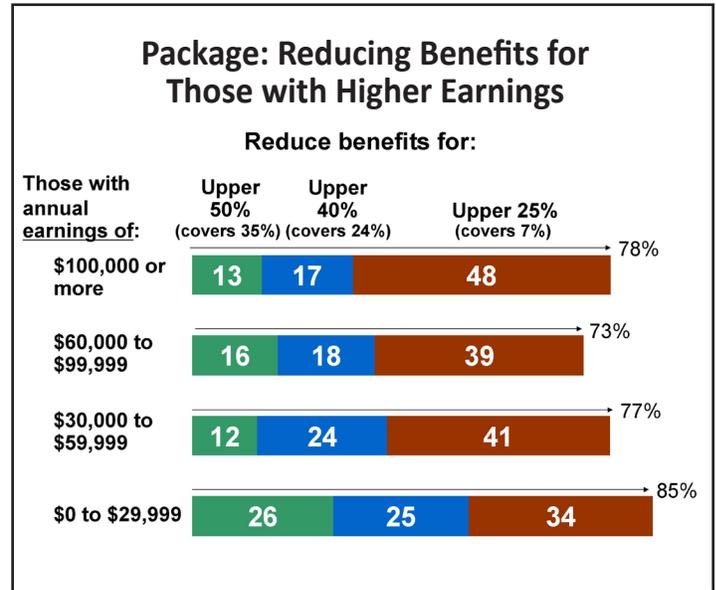
higher earnings, raising the full retirement age, and altering the cap on taxable earnings. The questions to be asked are:

- Were respondents with higher incomes less likely than other income groups to reduce benefits for those with higher average lifetime earnings?
- Were people in the age groups that would be directly impacted (i.e., in their forties or younger) less likely to raise the retirement age than those who would not be affected?
- Were respondents with higher incomes less supportive of altering the cap on taxable earnings, than those with lower earnings who would be less likely to be affected?

### Reducing benefits for those with higher earnings

It would be conventionally assumed that those in households in the top quartile of income (which is approximately \$100,000 and above) would be more resistant to any of the proposals to reduce benefits for higher earners, because they would be negatively affected by all of them. Those in roughly the second quartile of household income (\$60,000-\$99,999) might be more willing than the top quartile to have a reduction for the top quartile, but less willing to have a reduction extending to the lower levels that would affect them. Those with incomes below the median (approximately \$60,000) might be more willing to have any of the increases, especially those in the bottom quartile who would have less hope of getting into the upper income levels that would be affected.

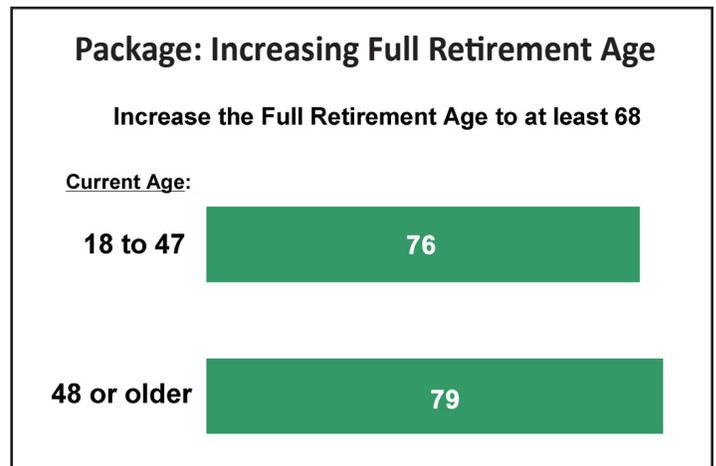
These assumptions were mostly not borne out. An overwhelming majority of those in the top quartile (78%) chose options for reducing benefits that would affect them. Those in the second quartile were approximately the same overall—73% favored reductions—and they actually extended the reductions further into the lower levels that would affect them, slightly more than the top quartile did. Among the two bottom quartiles that would not be affected by any of the increases, only the bottom quartile was slightly more inclined than the others (85%) to reduce benefits to the upper levels.



### Raising the full retirement age

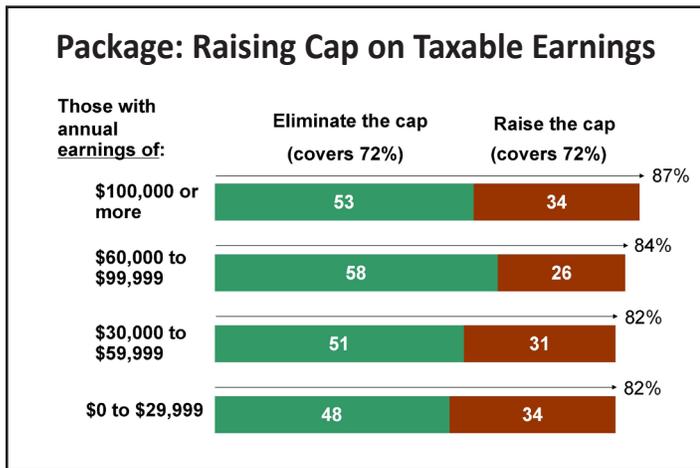
Respondents were told that gradually increasing the full retirement age to age 68 would directly affect those who are now 47 and younger, but not those presently 48 or older. One might reasonably expect that those whose retirement age would be affected would be less likely to select this option for their packages.

In fact, there were no statistically significant meaningful differences. Though it would affect their retirement age, among those under 48, 76% raised the age to 68, compared to 79% among those who would not be personally affected.



### Raising or eliminating the cap

It would be understandable to expect that those with household incomes above \$100,000—the only group that could be affected by raising or eliminating the cap on taxable earnings—would be less supportive of that change than other income groups. However, this was not the case. The highest-income group was statistically as likely to raise or eliminate the cap in their packages as the other income groups, and across the board there were no statistically significant differences.

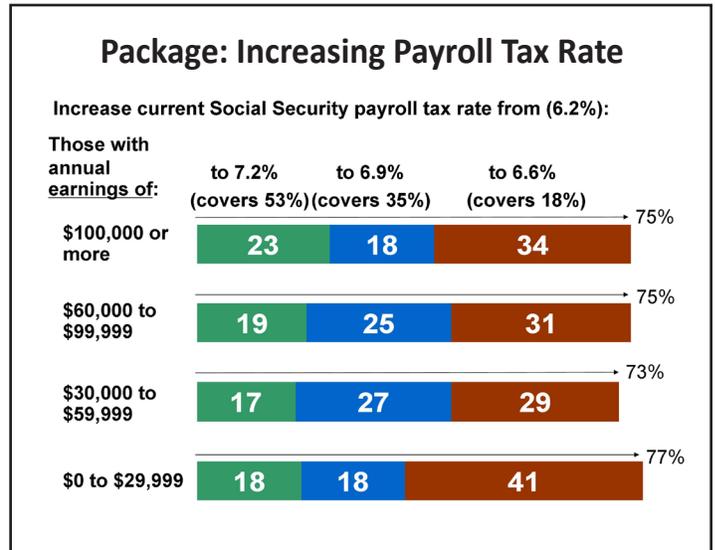


### Raising the payroll tax rate

The payroll tax has been criticized on occasion as a regressive tax for workers, in that it takes the same percentage from those with low wages or salaries as it does from those with high salaries. As people with lower incomes have less discretionary income, a tax increase would have a larger impact on them. Thus, it would be understandable to expect that those with lower incomes would be more reluctant to select a higher payroll tax rate for their packages, especially the highest proposal for a rate of 7.2 percent.

However, the choices of low-income and higher-income respondents mostly belied this expectation. For the three higher income quartiles there were no significant differences. Only the lowest quartile of \$0 to \$29,999 showed a difference. While this group was just as likely to make some increase in the payroll tax rate, they were more likely to select the lowest one, to 6.6 percent—presumably because it would be more affordable for them. Forty-one percent of this

group selected the lowest increase, compared to 34% of the full sample. However, 77% of this group made some increase, similar to the 75% of the full sample.



### TRYING THE POLICYMAKING SIMULATION YOURSELF

The entire policymaking simulation PPC developed on Social Security Reform is being posted online by our project sponsor, Voice Of the People ([www.VOP.org](http://www.VOP.org)), so members of the public can go through the same policymaking simulation the representative sample went through and share what they learn from this experience with their Member of Congress.

**Program for Public Consultation**  
1779 Massachusetts Avenue NW, Suite 510  
Washington, DC 20036  
202.232.7500 | [www.public-consultation.org](http://www.public-consultation.org)