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# Get Radical: Raise Social Security

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Chicago

AS a labor lawyer I cringe when Democrats talk of “saving” Social Security. We should not “save” it but raise it. Right now Social Security pays out 39 percent of the average worker’s preretirement earnings. While jaws may drop inside the Beltway, we could raise that to 50 percent. We’d still be near the bottom of the league of the world’s richest countries — but at least it would be a basement with some food and air. We have elderly people living on less than \$10,000 a year. Is that what Democrats want to “save”?

“But we can’t afford it!” Oh, come on: We have a federal tax rate equal to nearly 15 percent of our G.D.P. — far below the take in most wealthy countries. Let’s wake up: the biggest crisis we face is that most of us have nothing meaningful saved for retirement. I know. I started my career wanting to be a pension lawyer. In the 1970s, lawyers like me expected there to be big pots of private pensions for hourly workers. By the 1980s, as factories closed, I was filing hopeless lawsuits to claw back bits and pieces of benefits. Now there are even fewer bits and pieces to get.

A recent Harris poll found that 34 percent of Americans have nothing saved for retirement — not even a hundred bucks. In this lost decade, that percentage is sure to go up. At retirement the lucky few with

a 401(k) typically have \$98,000. As an annuity that's about \$600 a month — not exactly an upper-middle-class lifestyle. It's too late for Congress to come up with some new savings plan — a new I.R.A. that grows hair, or something. There's no time. We have to improve the one public pension program in place. Should we means-test it? No. I don't care if they go out and buy bottles of Jim Beam: let our elderly have an occasional night out at a restaurant.

The most paralyzing half-truth in this country is that people hate taxes. People are willing to pay taxes that they spend on themselves. Two-thirds of those surveyed in a [CBS/New York Times poll](#) in January were willing to pay more taxes to save Social Security at its modest level. To “save” it, most of us don't need to pay. We could lift the cap on high earners, the 6 percent of workers who make over \$106,800 a year. If earnings above the cap were subject to the payroll tax with no increase in benefits to high earners, there would be no deficit in the Social Security trust fund in 2037, as projected.

If people are willing to pay more just to “save” Social Security, they should be glad to pay more to raise it.

What does it take to get Social Security up to half the average worker's earnings? According to the National Academy of Social Insurance, to close the deficit and raise benefits to nearly half of average worker earnings, we would need to find an additional 5 percent of taxable payroll, or find the money elsewhere. If we lift the cap on the payroll tax without paying more benefits to those above it, that gets us 2.32 percent (or a bit less if we slightly increase benefits to the rich). Dedicating revenues from the estate tax at its 2009 levels to Social Security gets another half percent. A few other tweaks, like covering new public employees, add another 0.42 percent. The remainder can be found by raising the payroll tax by roughly 1 percentage point for both employees and employers.

I can hear the argument: It will discourage jobs, blah, blah. While I sympathize with the health costs employers pay (I am an employer, at our tiny law firm), they have had a windfall on pensions. In 1975, when I left law school, around two-fifths of American workers were in defined-benefit plans. Now it's just a fifth, and dropping. For employers, that's not the real bonanza.

Retirees today are shortchanged on Social Security because they have been shortchanged on wages for their entire working lives. The labor economist Richard B. Freeman points out that the hourly earnings of workers dropped by 8 percent from 1973 to 2005 while productivity shot up 55 percent or more. The United States is one of the few developed countries where workers are routinely cheated of a share in higher productivity.

And where has the money from the extra productivity gone? It's gone right to the top, to the top few percent. If wages had been paid fairly based on productivity, there would have been enough money subject to the payroll tax to avoid even a modest shortfall.

As I write, the Democrats are proposing to cut payroll taxes — supposedly to create jobs. But the last cut in the payroll tax, a few months back, led to little or no hiring. And did I mention the Paul Ryan plan? Just wait until the Democrats accept some “reasonable” version of this Republican document.

A bigger pension — a raise in Social Security benefits — is the stimulus this demoralized country needs. Come on, Democrats: think of F.D.R., Robert Wagner, or heck, even Lyndon B. Johnson. Let's ask ourselves: Who are we for?

*Thomas Geoghegan is the author of “Which Side Are You On?: Trying to Be for Labor When It's Flat on Its Back.”*



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