



The Biden Plan for Social Security

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/3/6/biden-social-security>

Summary: We estimate the effects on Social Security's finances and the economy of Former Vice President Joe Biden's Social Security plan. Detailed summaries of the proposals in the plan can be found in our analysis of the estimate.*

* <https://budgetmodel.wharton.upenn.edu/issues/2020/3/6/biden-social-security>

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Table 1: Reforms to Taxes and Benefits in Biden's Proposal

Provision	Current Law	Proposed Law
Benefit Provisions		
Survivor Spouse Benefits	Dual-Earner, Single-Earner Gap Exists	Dual-Earner, Single-Earner Gap Closed
Special Minimum Benefit	Indexed to CPI-W, full Special Minimum Benefit is \$886.40 in 2019 (currently outdated, since wage growth exceeds price growth)	Set Special Minimum Benefit at 125% of Federal Poverty Line (\$1301 in 2019), Grown by the National Average Wage Index (AWI) Provide a 5 percent uniform PIA increase 20 years after benefit eligibility. Phase in the PIA increase at 1 percent per year from the 16th through 20th years after eligibility. The full PIA increase is equal to 5 percent of the PIA of a worker assumed to have career-average earnings equal to the SSA average wage index. Auxiliary beneficiaries receive benefit enhancement based on the PIA of the governing worker.
Increase Benefits for Long-lived beneficiaries	Benefits grow only based on COLA	
Cost of Living Adjustment (COLA)	CPI- Urban Wage Earners and Clerical Workers (CPI-W)	CPI-Elderly (CPI-E)
Tax Provisions		
Payroll Taxes on Wage Earnings Above \$400,000 (Donut Hole)	0%. Earnings above taxable-maximum (\$132,900 in 2019) are not subject to payroll tax	12.40%



Table 2: Estimated OASDI Financial Effects of the Biden Plan Relative to Current Law
Percentage Points

	Long Range OASDI Actuarial Present Value Balance Ratio	Short Range OASDI Actuarial Present Value Balance Ratio
	Conventional (Static) Estimates (2020-2094)	Dynamic Estimates (2020-2050)
Current Law	-3.55	-2.25
<i>Effect of proposed changes</i>	1.54	0.80
Proposed Law	-2.01	-1.45



Figure 1: Social Security's Annual Non-Interest Income Balance as a Share of Taxable Payroll, Short Range (2019-2049) Dynamic Estimates

Year	Current Law	Proposed Law
2021	-1.29	-0.43
2022	-1.54	-0.7
2023	-1.67	-0.81
2024	-1.88	-1.11
2025	-2.12	-1.31
2026	-2.13	-1.35
2027	-2.5	-1.65
2028	-2.61	-1.76
2029	-2.8	-1.78
2030	-2.87	-1.96
2031	-3.04	-2.05
2032	-3.03	-2.16
2033	-3.25	-2.41
2034	-3.39	-2.45
2035	-3.42	-2.55
2036	-3.51	-2.6
2037	-3.58	-2.64
2038	-3.7	-2.66
2039	-3.57	-2.61
2040	-3.58	-2.66
2041	-3.73	-2.67
2042	-3.64	-2.62
2043	-3.6	-2.45
2044	-3.64	-2.47
2045	-3.69	-2.44
2046	-3.65	-2.37
2047	-3.5	-2.26
2048	-3.4	-2.13
2049	-3.34	-1.98
2050	-3.01	-1.69



Note: Consistent with our previous dynamic analysis and the empirical evidence, the dynamic projections above assume that the U.S. economy is 40 percent open and 60 percent closed. Specifically, 40 percent of new government debt is purchased by foreigners.



Table 3: Effects on Key Macroeconomic Variables Relative to Current Law in Year Shown
Percent Change from Baseline

Year	GDP	Labor Income	Hours Worked	Capital Service
2021	-0.3	-0.3	-0.1	0.1
2030	-0.6	-0.6	-0.1	-0.9
2040	-0.7	-0.7	0.0	-1.3
2050	-0.8	-0.8	-0.1	-1.5

Note: Consistent with our previous dynamic analysis and the empirical evidence, the dynamic projections above assume that the U.S. economy is 40 percent open and 60 percent closed. Specifically, 40 percent of new government debt is purchased by foreigners.