



The Sanders Plan for Social Security

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/3/9/sanders-social-security>

Summary: We estimate the effects on Social Security's finances and the economy of Senator Bernie Sanders' 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/2020/3/9/sanders-social-security>

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Table 1: Reforms to Taxes and Benefits in Sanders' Proposal

Provision	Current Law	Proposed Law
Benefit Provisions		
Special Minimum Benefit	Indexed to CPI-W, full Special Minimum Benefit is \$886.40 in 2019 (currently outdated, since wage growth exceeds price growth)	Set Special Minimum Benefit at 125% of Federal Poverty Line (\$1,301 in 2019), Grown by the National Average Wage Index (AWI)
Increase the first PIA bend point	First bend point in 2020 is \$960. Average Indexed Monthly Earnings (AIME) up to \$960 are replaced at the highest rate, 90%	Phase in a 15-percent increase in the first band point starting from 2025 to 2039
Cost of Living Adjustment (COLA)	CPI- Urban Wage Earners and Clerical Workers (CPI-W)	CPI-Elderly (CPI-E)
Student Benefits (Dependent Child Benefits)	Available for students of eligible workers up to age 18 (or age 19 and full-time student, no higher than grade 12)	Continue benefits for children of disabled, or deceased workers until they attain age 22 if the child is enrolled in high school, college, or vocational school
Tax Provisions		
Payroll Taxes on Wage Earnings Above \$250,000 (Donut Hole)	0%. Earnings above taxable-maximum (\$132,900 in 2019) are not subject to payroll tax	12.40%
Additional Investment Income Tax	No revenues from investment income tax dedicated to OASI Trust Fund	Apply a separate 6.2-percent tax on investment income payable to OASDI Trust Fund



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
	SSA Actuaries	PWBM	PWBM
	Estimates (2018-2092)	Conventional (Static) Estimates (2020-2094)	Dynamic Estimates (2020-2050)
Current Law	-2.84	-3.55	-2.25
<i>Effect of proposed changes</i>	2.22	2.33	1.85
Proposed Law	-0.62	-1.22	-0.40



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	0.39
2022	-1.54	0.22
2023	-1.67	0.17
2024	-1.88	-0.13
2025	-2.12	-0.32
2026	-2.13	-0.28
2027	-2.50	-0.64
2028	-2.61	-0.69
2029	-2.80	-0.69
2030	-2.87	-0.84
2031	-3.04	-0.90
2032	-3.03	-1.02
2033	-3.25	-1.25
2034	-3.39	-1.27
2035	-3.42	-1.35
2036	-3.51	-1.36
2037	-3.58	-1.41
2038	-3.70	-1.42
2039	-3.57	-1.38
2040	-3.58	-1.41
2041	-3.73	-1.41
2042	-3.64	-1.38
2043	-3.60	-1.21
2044	-3.64	-1.26
2045	-3.69	-1.29
2046	-3.65	-1.28
2047	-3.50	-1.25
2048	-3.40	-1.20
2049	-3.34	-1.14
2050	-3.01	-0.88



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	-0.7	-0.7	-0.1	-0.1
2030	-0.9	-0.9	-0.1	-1.2
2040	-1.0	-1.0	-0.1	-1.6
2050	-1.0	-1.0	0.0	-1.9

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.