

## Why is the American Government Unable to Balance Social Security?

22 July, 2025

*Ben Eagleton*

*Research Associate, newDemocracy Foundation*

[eagbw-26@rhodes.edu](mailto:eagbw-26@rhodes.edu)

*This paper draws lessons from newDemocracy's experiences operating various citizens' juries in Australia.*

*Follow these and additional works at <http://www.newdemocracy.com.au>*

---

*\* newDemocracy is an independent, non-partisan research and development organisation. We aim to discover, develop, demonstrate, and promote complementary alternatives which will restore trust in public decision making. These R&D notes are discoveries and reflections that we are documenting in order to share what we learn and stimulate further research and development.*

## Why is the American Government Unable to Balance Social Security?

### ***What is the question?***

In 2024, about eight in ten polled American adults believed that the Social Security system should either be kept the same or expanded; however, the Social Security Trust Fund, the monetary base for the Social Security program, is projected to become insolvent by 2034. The question of *how* this expansion would be funded and *how* to fund the expansions made years prior was not posed to those polled Americans but instead left solely to their representatives in Washington. A politician has no incentive to make the difficult but necessary choices to keep the program viable because the short-term nature of public opinion does not promote difficult decision-making. So the question to be answered is **‘Why is the American government unable to balance Social Security’s revenues and expenses, and what can we do to change that?’**

### **Background**

Social Security, after much heated debate in Congress over it since its inception, was and still is touted as the backbone of the American social safety net. The early years of Social Security were filled with expansion, but by the 1980s, political leaders recognized that Social Security would become problematic to fund. Over the next 20 years, Presidents claimed to have the solution at hand but were unable to pass these solutions through Congress. Now, it appears politicians recognize that there is no reason to discuss the unaffordability of Social Security because they may risk their political future by mentioning it.

#### *Creation and Beginnings: 1890-1983*

Although government pensions have been instituted in the United States since its inception, with fighters in the American Revolution receiving injury pay based on their length of service, the first large-scale government pension program began in 1890 to serve Union veterans of the Civil War. Under that original law, any soldier who fought in the Union army for more than 90 days was eligible for disability pay. In 1904, the law was amended to cover any soldier over the age of 62 under that same disability clause, creating the first age-based government pension in the United States. This pension only covered a specific section of the population – veterans – and it would take until 1935 for these benefits to extend to the private sector.

On August 14, 1935, the Social Security Act was enacted by Democratic President Franklin D. Roosevelt as a part of his “New Deal”, a plan orchestrated by the government to stimulate the economy during the Great Depression. The bill was radical, as no American politician had promoted the idea of a government-run retirement program for all before 1932, when Louisiana gubernatorial candidate Dudley Leblanc proposed a stipend for the elderly. It was also controversial, with many opponents saying it would decrease the labor force amid a depression, and some asking, just like Democratic Senator Thomas Gore, *“Isn’t this Socialism? Isn’t this a teeny-weeny bit of Socialism?”*.<sup>1</sup>

The deal initially covered the subset of Americans who worked in commerce and industry, who were primarily white men. Groups cried foul against the occupations included in the plan, with the NAACP saying the bill was *“a sieve with holes just big enough for the majority of Negroes to fall through.”* Farmers argued for tax exemption because they felt the additional taxes would never return to them, and they were eventually excluded. The Social

Security Act was upheld in the Supreme Court on the grounds of the taxation powers of the federal government, and so Social Security was etched into law permanently as one of the three legs of the stool that is America's retirement system.

As the program continued through the twentieth century, the government expanded Social Security both in terms of recipients and amounts paid. First, amendments expanded to different cohorts of workers, starting with sailors and bank employees in 1939, then government and private sector cohorts in the 50's and 60's, and by 1980, over 112 million workers were covered.<sup>2</sup> Amounts were increased by 20% in 1972, and benefits were linked to a cost-of-living adjustment (COLA). **In 1940, the first year the government spent on Social Security, the total expenditures were 0.29% of the federal budget. By 1980, it had risen above 20%.**<sup>3</sup> These expansions meant that more were covered and generously so, but unaccompanied by matching tax increases, these expansions meant that a crisis was inevitable, coming as soon as the burden on the workforce grew too heavy. In 1983, the crisis emerged.

### *The Reagan Amendments*

The last major reform, and the only one to cut benefits, raise taxes, and pass through Congress, came in 1983 under the Republican administration of President Reagan. The Social Security Trust Fund, a government security investment vessel for social security revenues, was to be in a deficit for the first time ever, and Congress was deadlocked on how to address the issue. Republicans wanted to solve the deficit by cutting benefits, and Democrats wanted to solve it by raising taxes.

Reagan then created the National Commission on Social Security Reform (NCSSR), a group of bipartisan legislators and experts, that would make the necessary compromises to pass legislation to keep Social Security afloat. In 1983, using ~~the~~ all of the short-term recommendations of the NCSSR and some additional long-term provisions, he passed the Amendments of 1983, which accelerated existing payroll tax increases, froze the COLA for six months, gradually increased the retirement age to 67, and taxed Social Security benefits over \$25,000-~~\$~~30,000 (depending on other factors).<sup>4</sup> This reform was completed expeditiously by congressional standards, only taking three months, and passed with bipartisan support. The votes tallied 203-142 in the House and 58-14 in the Senate, with those 58 roughly split in half by party.<sup>5</sup> Reagan, at the signing ceremony, said that "*None of us here would pretend that this bill is perfect. Each of us had to compromise one way or another. But the essence of bipartisanship is to give up a little in order to get a lot. And my fellow Americans, I think we've gotten a very great deal.*"<sup>6</sup>

He went on to say that Social Security "*must be preserved*" and that they had "*struck the best possible balance*" between the benefits given to aging Americans and the taxes levied on younger ones, and that the amendments will let the system "*age as gracefully as all of us hope to do ourselves, without becoming a burden on generations still to come.*"<sup>6</sup> Sadly, for the Reagan Administration, this system would not age as well as they would have liked, as the amendments added were intended primarily to sustain the program in the short term. Because the main long-term solution in the amendments, increasing the retirement age, did not take effect until 2009, from 1983 to 2002, government expenses on Social Security continued to rise, reaching almost 23% of the federal budget. Both parties realized that something needed to be done to curb the spending increases of Social Security, as the system would not be sustainable in the long run, even with an increase to retirement ages.

### *Attempts at Reform: Clinton & Bush*

After the Reagan amendments in 1983, politicians understood that the Social Security system would not be self-sufficient, especially following the retirement of the baby boomer generation. They watched the percentage of budget expenditures that Social Security was using creep up and realized the trend would never flatten.

During the Clinton Administration, the Democratic president proposed multiple ways to alter the Social Security system; principally, using General Fund tax revenue to bolster Social Security and partially privatizing it. He said in his State of the Union Address in 1999, *"I propose that we commit 60 percent of the budget surplus for the next 15 years to Social Security, investing a small portion in the private sector, just as any private or state government pension would do."*<sup>7</sup> His administration touted the fact that the government had a budget surplus for the first time in recent memory and had put the government, *"on course for budget surpluses for the next 25 years."*<sup>7</sup> However, this surplus was the last one in American history. If there's no surplus, then there's no money to be put into Social Security, and the plan collapses. Compounding that, congressional Republicans fought Clinton heavily as the 2000 election approached, and they controlled both houses of Congress, meaning the Save Social Security Act would never pass.

The next president after Clinton, the Republican George W. Bush, proposed that the system should be privatized for Americans younger than 45. In his 2005 State of the Union Address, he first came out with his plan, and over the following months, he designed and campaigned for this policy. He planned for the working branch of Americans, aged 54 or younger, to have the option to convert their Social Security payments partially into a form of personal investment account. This account would allow Americans to distribute their retirement savings as they liked into the market, while also keeping the Social Security system as a supplementary benefit for the younger demographic, in an attempt to solve insolvency problems faced by the younger proportion of Americans. Notably, this idea of privatization combined with a failsafe benefit package was not a novel idea for both sides of the political spectrum. Not only had Clinton suggested this in the form of USA accounts, but also in Australia in the early 1990s, the superannuation system, a private, government-mandated retirement investment system, was implemented by the center-left Labor government to release the strain on the country's age pension.

Bush travelled around the country, speaking to Americans about this policy, and watched as his approval numbers dropped, leading members of Congress to effectively dismiss his plan. By August and September, more relevant topics were on the minds of the American people, notably the administration's bungling of Hurricane Katrina, which dissolved most of what was left of President Bush's political capital, leaving his Social Security plan sitting in committee.

Notably: All three presidents attempted their reforms during their second term, but Reagan was the only one to pass legislation. Reagan, though, was driven by crisis, not choice. Given Clinton and Bush *chose* to tackle the unaffordability issues of Social Security, **why would they wait until after their second elections and opt *not* to make this a landmark policy to run on?**

### *The Third Rail: Modern Elections*

Since that Reagan reform, Social Security solidified itself as the “third rail” of American politics – touch it and your campaign dies. Clinton and Bush knew that, so they only brought it up when they had no more elections to win. Now, no politician will promote cutting benefits or raising taxes for Social Security on a national stage, as they know it would not draw support in Congress.

In 2016, in the election where it felt as if the standard rules of political gravity did not apply, both Donald Trump and Hillary Clinton still said they would not touch Social Security benefits. In 2020, during the Democratic primary, attacks on Joe Biden’s record of potentially cutting Social Security were heavily scrutinized and central to the debates. In 2025, now that Trump is serving his second term, Republicans passed legislation that cuts other benefit programs, but not Social Security. It removes the taxes on Social Security benefits. Altering the Social Security retirement system is an impossible task to justify politically out of fear that voters will turn against the politicians who do so.

### What are some other issues?

One of the issues with Social Security is that **not only are people living longer, but also more people are reaching retirement age**. Most understand that people now live longer lives and, given that the retirement age has stayed relatively flat, they have more retirement years. This is true, as life expectancy after the age of 65 has grown from 11.9 to 15.8 years for men and from 13.4 to 19.0 years for women between 1940 and 2001.<sup>8</sup> However, that only illustrates some of the problem. It only shows how long those people live *after reaching* 65, not how many live to 65 and beyond. To measure the group more accurately, it is also necessary to look at *total* life expectancy, rising from 61.4 to 73.4 for men and from 65.7 to 79.4 for women in that same period.<sup>8</sup> This increase in total life expectancy means that more Americans are crossing the threshold into retirement before dying, making the system not only have to pay out some Americans for longer but also more Americans in total.

Also, **around 50% of people aged 55-66 have no personal savings for retirement**.<sup>9</sup> This means that these people will rely almost solely on Social Security benefits, as they do not have anything besides their Social Security benefits and 401(k)’s, which have a median amount of about \$95,000.<sup>10</sup> These values mean that more people will face a risk of poverty as they age and become more and more reliant on the benefits that Social Security offers, meaning the calls for increases in benefits to the already underfunded system will likely rise as this group ages.

Social Security costs keep rising, even without an extension of benefits beyond the COLA, as *the COLA is outpacing wages*. Social Security is already using 22% of the 2024 outlays, equivalent to 30.9% of 2024 revenues. With proportional spending to other FICA-tax-funded programs, **Social Security is spending about \$130 billion more than revenues**.<sup>11</sup> With worker-to-beneficiary ratios decreasing from 5.1 in 1960, to 3.3 in 1985, and to 2.8 in 2013, and projections saying the ratio may shrink again to 2.2 in 2050, the government’s potential expenditures maintaining Social Security may continue to rise without intervention.<sup>2</sup>

### What are the ~~usual~~ ~~Answers~~ to these problems in the United States?

The Social Security reform path has remained the same since Ronald Reagan used the concept in the 1980s. The steps go as follows:

- Create a bipartisan commission.

- The commissions are carefully selected to make the reform more palatable to both sides of politics, effectively depoliticizing the issue.
- Publish the commission's report and write the report in the form of legislation.
  - The experts on these commissions are relevant and have great knowledge of the subject matter, and they create ample solutions that are published in their reports and presented to Congress.
- Use the power of the Presidential Office to promote the legislation.
  - Presidents have been willing to fight for these policies and have made them prime issues of their tenures.
- Utilize the media to convince the public of the bill's need and effectiveness.
  - Presidents have given speeches and created public forums covered by news outlets to gather public support.

Yet, the lack of congressional support for these reforms does not mirror the effort that executives have put into the reform attempts.

**The key reason why these reform attempts fail is because of Congress's need to survive re-election every two years.** The short turnaround of elections in the legislature inhibits long-term reform because of three main roadblocks:

- Long-term solutions are politically unpopular in the short term
- The power of the presidential office to push legislation is nonexistent in the second term of office
- Members of Congress must stay popular in the media.

Every two years, over 460 members of Congress (the entire House of Representatives and one-third of the Senate) face re-election. This means that one of the two chambers of legislators and the next third of the other look at their political popularity on a two-year timeline, so they need short-term, good-news solutions to return to their constituents. A commission's plan to keep Social Security afloat for the *long-term* future, which likely involves either raising taxes or cutting benefits, is not a politically popular plan for these representatives to bring back to the voters in their districts. Reagan's amendments in 1983 were politically popular among Americans because they were primarily a *short-term* fix, made to eliminate the incoming crisis on the near horizon, aligning with the two-year timeline of congressional elections and the short-term nature of public opinion. Given that 28% of voters in 2024 were over 65,<sup>12</sup> the cohort receiving these benefits, the voting population would likely not be in favor of cutting what was promised to them when they were working in return for a long-term solution, and the opposition parties would attack this decision through the media come election time.

Secondly, the president loses most of their political power in their second term in office, meaning their ability to push legislation is significantly hindered. The president can only be elected to two four-year terms, and they expend most of their political power early on to win the second election itself. On the other hand, legislators are not term-limited. This means that regardless of how hard a president may lobby Congress to pass their legislation, if the representatives do not believe it benefits their campaigns in the upcoming election, they will not vote for the policy. In 2005, George W. Bush promoted his plan for fixing Social Security by going on a nationwide press tour with citizens talking about the program, but the public did not take a liking to the policy. Even though Republicans had a majority in both houses of Congress, legislators realized they could not back the president for fear that their upcoming elections in 2006 would go poorly if they did. This shows that **the problem is not primarily one of partisan politics, but one of electoral popularity.**

Finally, the president needs to utilize the media to make the case for their policy, or else they will not be supported by Congress. There was a time when a president could have a large portion of the media on their side out of respect for the office, but today, with the division and politicization of news networks, that is no longer possible. The modern media is now polarized into different ideological sections and sections of the population, and so no president can realistically get all media outlets to adopt their narrative and policy. However, if the public reflects a sentiment that a president is unpopular, then the media will follow it, and so will the politicians who need the media for their re-election. During the Clinton administration, the Monica Lewinsky scandal derailed Clinton's initial Social Security brokering with moderate Republicans, with the moderates unwilling to back him after the media's heavy coverage of the scandal and his impeachment proceedings. After his acquittal, Clinton tried to revive the initiative in 1999, but, by then, Republicans were attacking Clinton and denying Democrats a political victory, and Congressional Democrats and Vice President Al Gore did not want to associate with Clinton. This was because there was an upcoming election in 2000, and the population was experiencing a phenomenon called "Clinton fatigue" – a desire to forget Clinton and all associated with him and remove them from office, due to the scandals during his administration. This meant that the media would not cover Clinton and his Saving Social Security and Medicare Act, as there were more pressing headlines like the next election.

If short-term thinking, media focus, and lack of executive authority are the problems holding back long-term reform, then should we change the timing of elections? No, that would firstly only extend the problem to the next level, making legislators move from a two-year timeline to a four-year, six-year, or eight-year one, recreating the same election cycle thinking on a longer scale. The UK also faces the problem of election-based thinking, but their government elects on a five-year cycle unless called for earlier. Also, it would be complicated and politically unpopular to change, with oppositions using the media in the next election to say the incumbent is power-hungry and wants to be a monarch rather than a representative. How, then, can this system be adapted to create reform that solves the affordability problems?

### What is an **a**Alternative to the **u**Usual **a**Answers?

The goal of these reform attempts that the US requires is to have legislation that is long-term, limits the amount of exceptions due to political pressures (by using nonpartisan experts), is popular with the public through the media, and is sufficient to survive Congress by having different political alignments in the commission. The principles of this decision-making process are sound, but they are ineffective in the face of the incentives that elections create. **These principles could instead be transposed onto a different group, one outside of the scope of elections, that is able to find common ground, is informed by evidence, can relate to the people, and is apolitical.**

The group must be tasked to come to a broad consensus. The reform that the group creates must be agreeable to a large portion of Americans, both Republican and Democrat, old and young, expert or not. This is why the group must be held to a standard of consensus (>80%), to ensure that the reform they agree to does not just help a majority of the population or one side of politics, but the whole.

The group must be informed on the relevant subject matter and given ample access to information to create legislation with lasting impact. The Social Security system is incredibly complex, with the Social Security Act alone totaling nearly 2600 pages. The group must have

all the relevant information to ensure that there are no gaps left in the reform to delegitimize the group. This means understanding the viewpoints of all relevant actors and stakeholders, recognizing the costs and benefits of all possible program processes, and being able to request any information to further add to the knowledge base on which they determine policy.

The group must have political legitimacy amongst the people. This means being able to relate to them on a personal level (“people like me”), through many other ways besides the ways that create electoral legitimacy – geography and ideology. As of June 2025, over 21 million Americans work in manufacturing, mining, and construction-related trades, and there are 12.2 million in financial services and business.<sup>13</sup> However, there are only nine members of Congress who were trade workers before, and there are 194 former finance or business professionals.<sup>14</sup> This demographic imbalance leads to these voices being underheard in policy. There must be a more well-rounded process by which we select the group to ensure all Americans believe their voices were heard in creating this policy.

**To remove the politics out of this group, there must be a lateral step from the normal mechanism by which politics acts: elections.** These members should not be able to campaign for their role in the group, as then the new committee becomes a third chamber of Congress, only with a sole policy initiative. This means that the members must be selected in some democratic but non-electoral way.

The alternative solution, which creates apolitical, representative committees that lead to consensus policy outcomes without the need for elections, is the selection of members by lot, also known as a sortition system or lottery. This system is preferred over other systems like appointment and volunteer membership, as it prevents special interest bias in the decision-making process and allows for moderate opinions and the potential for compromise among members. The appointment system creates an environment of hostility, where there is a tension between the appointer and the committee. If the committee returns its report with a solution the appointer does not like, the appointer can disband the committee or remove individuals from the committee process. Alternatively, the volunteer system creates a bias of self-selection, where more extreme opinions that have more intense interest in the policy will opt in to the program and more nuanced and neutral opinions will stay out of it, making the committee a battleground of ideology rather than one of compromise and reform.

To make this selection system representative, the participants must be selected from diverse backgrounds relative to the problem at hand. This requires a stratified random sample, controlling for age, gender, income, and location to diversify the group and create many perspectives on the issue. This also makes them relatable, as the public will recognize the committee is not just a group of policy specialists, but people “like them” who will more accurately represent their interests and gain their trust to make decisions. Having a group of everyday citizens eliminates much of the political attacking from both the media and political parties because no citizen in that group is seeking election, meaning no one is fighting against them. Essentially, it is scaling up a version of the jury system used in our courts. And just as the jury system in courts produces justified outcomes on complex matters of the law, so too can a representative body create meaningful outcomes on complex matters of policy.

To bolster this relatability, the committee must be able to communicate with the outside world, giving their possible solutions out, and taking in feedback from the public. This not



only creates legitimacy but also enables the public to become involved in the committee, leading to more involvement in decision-making and political enthusiasm.

To inform the committee, they must be presented with a multitude of quality, relevant information about the program itself, from all those invested in the decision-making process, and from those who may be affected by change. To bolster that information base, the members must be able to request information that they believe may be relevant to the issue that was not initially provided. This is to ensure that participants are receiving all sides of the problem and so they can fully form their viewpoint.

The committee-randomly-selected group must therefore be given considerable time to digest this information and deliberate with each other over the issues of their ideas. One person cannot understand the Social Security system in one afternoon, as the system is too complex and there are too many vested interests to present to them. With that, they also need time to find agreement, not told they must find agreement by a deadline. This leads to more complex, nuanced solutions for the complex system that is in place.

Finally, the committee-group must be able to see the impact of their work on a national stage. The decisions that ~~the committee makes~~they make must be transformed into legislation and placed on the legislative floor as quickly as possible after ~~the committee~~their work has finished. This way, the committee-group can see their plan proposed and can assess the praises and critiques that come from the elected lawmakers of the country. Also, the committee-group must be meaningful to the members to create involvement, so by having a promise of immediate legislation, ~~the committee~~this randomly-selected group (or assembly) will then understand the impact of their decision-making.

## Conclusions

The citizens committee-assembly mechanism, bringing a representative group of Americans together to deliberate and decide on policy, is an experiment worth trying for Social Security. This experiment allows for the government to save trillions in taxpayer dollars for the foreseeable future for the price of around \$10-15 million, while also aligning itself with the platforms of *all* involved in partisan politics.

The COLA outpacing wages has placed Social Security in jeopardy. In the 2024 fiscal year, the Social Security system paid out \$1.5 trillion in COLA-indexed benefits, while wage-based taxes only raised about \$1.37 trillion.<sup>11</sup> This means that in 2024, Social Security lost about \$130 billion. In long-term projections, the Congressional Budget Office predicts that by 2030, the revenues and costs of Social Security will differ by more than 1% of GDP, equivalent to \$367 billion in that year alone if the status quo is maintained.<sup>15</sup> Alternatively, an experiment of this type has an estimated cost of \$10-15 million. Why wouldn't the government spend \$10-15 million to attempt to fix a trillion-dollar problem?

Democrats would argue the Social Security system is designed to help poor and middle-class Americans, and so the system should not be altered by bankers and financial executives who can rig the system for their own benefit and against ~~the common~~everyday people. Republicans would argue that people should be allowed to do what they want with their money and should be given an individual right to do as they please with their retirement. This committee-assembly mechanism does both. It gives individuals in a room, ~~ordinary~~everyday Americans, the authority to think for themselves with the interests of ~~the~~

~~common~~other Americans in mind to find solutions to the challenges that Social Security faces. What other approach can please both parties and address both of their interests?

**Endnotes**

- 1) The Roosevelt I Knew – Frances Perkins
- 2) <https://www.ssa.gov/oact/TR/2011/lr4b2.html>
- 3) <https://www.ssa.gov/history/percent.html>
- 4) <https://www.ssa.gov/history/1983amend.html>
- 5) <https://www.ssa.gov/history/tally1983.html>
- 6) <https://www.reaganlibrary.gov/archives/speech/remarks-signing-social-security-amendments-1983>
- 7) <https://clintonwhitehouse4.archives.gov/WH/New/html/19990119-2656.html>
- 8) <https://www.ssa.gov/OACT/TR/TR02/lr5A3-h.html>
- 9) <https://www.census.gov/library/stories/2022/01/women-more-likely-than-men-to-have-no-retirement-savings.html>
- 10) [https://institutional.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025\\_How\\_America\\_Saves.pdf](https://institutional.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025_How_America_Saves.pdf)
- 11) <https://www.cbo.gov/publication/61181>
- 12) <https://www.census.gov/data/tables/time-series/demo/voting-and-registration/p20-587.html>
- 13) <https://www.bls.gov/charts/employment-situation/employment-levels-by-industry.htm>
- 14) [www.brookings.edu/wp-content/uploads/2019/03/Chpt-1.pdf](http://www.brookings.edu/wp-content/uploads/2019/03/Chpt-1.pdf)
- 15) <https://www.cbo.gov/data/budget-economic-data>