

# ECO 225 - Social Security

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  - Proposes to slow the growth of SS benefits, trimming cost-of-living increases, saving about \$130 billion over the next decade.
  - Angered many democrats, who have long demanded that SS be protected from any debt-reduction deal.

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  - Delaying beyond FBA increases benefits by 8% per year, called the Delayed Retirement Credit (DRC).

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  - 35-year average of real monthly earnings - **Average Indexed Monthly Earnings, AIME.**

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    - Driver was working 25 hours straight in an effort to maximize overtime pay.
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    - Similar problem in Brazil: pension benefits are determined as 100% of a worker's last month salary. World Bank: "not uncommon for public-sector workers to receive ample promotions in the months just before they retire."

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Period	# Young	Earnings	Taxes	#Old	Benefits	Return
1	100	20	0	0	0	
2	105	21	2.1	100	2.1	Infinite
3	110	22	2.2	105	2.2	10%
4	115	23	2.3	110	2.3	10%
5	121	24	0	115	0	-100%



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- Seems unlikely that the political process would allow a single generation of workers to be held accountable for this large debt.
- Reforms must deal with the fact that this debt must somehow be paid before we can bring our unfunded SS system into balance.