U.S. Social Security at 75 Years: An International Perspective

by Dalmer D. Hoskins*

Is the historical development of the Old-Age, Survivors, and Disability Insurance (OASDI) program unique or similar to the development of social security programs in other industrialized countries? The U.S. Social Security program was adopted some 40 to 50 years after those of most Western European nations. The United States thus had the opportunity to choose from a number of models and clearly chose to follow the classic social insurance path of such countries as Austria, France, and Germany, which in 1935 already had considerable experience administering earnings-related, employer/worker-financed old-age pension programs. Although based on the traditional social insurance model, OASDI evolved in certain unique ways, including the rejection over the course of succeeding decades of any reliance on general revenue financing, the importance attached to long-range (75-year) actuarial projections, and the relative generosity of benefits for survivors and dependents.

Introduction

The history of the United States is in many ways exceptional, giving rise to an important body of academic research propounding "the American exception." This notion of exceptionalism is however not so easily applied to its principal national social insurance program, Old-Age, Survivors and Disability Insurance (OASDI). Adopted by Congress in 1935, the Social Security Act was landmark legislation that established not only an old-age insurance program but also mandatory unemployment insurance and funding for state-administered old-age assistance. The United States was a relative latecomer in covering its employed workers with compulsory old-age insurance, and perhaps for this reason it is not surprising that the U.S. program was largely inspired by continental European models, particularly the German example, in the 20 or more years preceding its adoption. The OASDI program today exhibits in many respects the same classic social insurance principles that can be found in several other national old-age insurance systems. However, after 75 years, some features of the OASDI program appear to be particularly characteristic of the U.S. approach to old-age income security.

The discussion that follows singles out three of the more striking characteristics of the U.S. program, compares them with relevant foreign experience, and in conclusion raises the question of whether these characteristics still have significant implications for the program's future. The discussion begins with a look at the historical context of U.S. Social Security.

Origins of U.S. Social Security in an International Context

Most historians of U.S. Social Security have expressed both wonder and puzzlement as to how a virtually full-blown social insurance program could have been incorporated in the 1935 Social Security Act. The task of the principal drafters working for the Committee on Economic Security, appointed by President Franklin D. Roosevelt in 1934, was indeed a daunting one, but the national debate about the need for a national old-age income security program had been under way for several years, picking up intensity as poverty among the elderly increased dramatically during the Great Depression. In a message to Congress in 1934, Roosevelt served notice that he intended to propose a comprehensive program of social insurance. Roosevelt

** The author is Director of the Division of Program Studies, Office of Research, Evaluation, and Statistics, Social Security Administration.*

emphasized that it was not "an untried experience" and that "this seeking for a greater measure of welfare and happiness does not indicate a change in values. It is rather a return to values lost in the course of our economic development and expansion" (Altman 2005, 29).

Thus, the United States embarked in 1935 on the road to providing its working population with old-age pensions, following in many respects the social insurance models adopted by Germany in 1889, Belgium in 1900, the Netherlands in 1901, Austria in 1906, France in 1910, Italy and Spain in 1919, and Hungary in 1928 (Social Security Administration 2008). Universal coverage of all wage earners and self-employed persons was not achieved at an early date in these countries; the gradual expansion of programs to cover all categories of workers (such as white-collar workers, clerics, and local government officials) was only completed near the end of the 20th century. At their inception, most European old-age insurance programs covered only blue-collar workers, reflecting their governments' desire for more stability in the labor markets and to fend off the political threat of national socialism and communism. Even today, France, Italy, and Greece have multiple public old-age pension programs, posing a significant obstacle to advancing coherent and unified national pension policies.

Universal old-age assistance programs adopted by Denmark in 1891, Iceland in 1909, and Norway in 1923 attracted little support among Social Security advocates in the United States. Even the noncontributory, means-tested flat-rate pension adopted by the United Kingdom in 1908 seems not to have elicited much enthusiasm on this side of the Atlantic, although the United Kingdom was the leading industrial power of its time and its historic ties with the United States would have meant that American experts closely followed British social security developments. There was a similar lack of enthusiasm regarding the Canadian initiative, which put in place a universal federal old-age assistance program in 1927, and left the United States as the only major industrialized country which had not implemented a public old-age income security program before the Great Depression.

The biographies and autobiographies of proponents of Social Security in the United States reveal that many of them were indeed very well-informed about the history and development of social security in Europe and elsewhere. Two of the activists, Paul H. Douglas and John Winant, authored publications explaining how European social security models could be adopted in the United States. Douglas, who eventually became a U.S. Senator from Illinois, previously served as an economic advisor to Roosevelt when the latter was governor of New York. Douglas was a front-row player when Social Security was enacted in 1935, and as soon as Roosevelt signed the legislation, he wrote what is no doubt the first history of Social Security, and advocated many of the first amendments, which were adopted in 1937. Prior to 1935, Douglas traveled several times to Europe, collecting information on the German and other European social security systems. Other important reformers included Abraham Epstein and I.M. Rubinow, both of whom had European roots and were considered experts about social security systems abroad.

Major players such as Douglas, Epstein, and Rubinow were influenced in their thinking by the growing strength of the American Association for Labor Legislation (AALL), founded in 1906 and affiliated with the European-based International Association for Labor Legislation. AALL membership grew from a handful to well over 3,000 within a decade, counting among its members such notables as Louis Brandeis, Samuel Gompers, Woodrow Wilson, and Jane Addams. In the decades preceding the adoption of Social Security, the AALL focused primarily on encouraging the states to adopt workers' compensation, which proved to be a great success, and health insurance, which met with far less success and many more legal obstacles and political opposition. Although not its top priority, the adoption of Social Security was nevertheless part of the AALL strategy, which advocated the view that while workers' compensation and health insurance could be administered by the states, the mobility of workers required that old-age income security should be a national program as in the European nations (Béland 2005, 54).

It is not surprising that the U.S. reformers felt generally more comfortable with the Bismarckian or German model of social security protection (mandatory social insurance financed from payroll taxes) than with the UK or Nordic approach of universal benefits (often flat-rate benefits subject to a means or earnings test). The consensus from President Roosevelt down to the original members of the Committee on Economic Security was that Social Security should not be compared to the "dole." In arguing for Social Security, Roosevelt clearly made the distinction between social insurance and social assistance, drawing on the American tradition of individual responsibility and self-reliance as being more consistent with the social insurance approach. Along with the preference for "earned rights," another dominant theme that would influence the 75-year development of Social Security was that financing should be based on worker/employer contributions rather than general revenue financing.

Social Security thus became one of the most successful and distinguishing features of the "New Deal" and the post–World War II era. Although the United States was a relative latecomer to the list of industrialized countries with national old-age income security programs, the U.S. program quickly became a model for other countries involved in reconstruction following World War II. Many newly independent and developing countries were influenced by the U.S. Social Security model during this period, notably in Latin America (Bolivia, Columbia, Costa Rica, Dominican Republic, Mexico, and Panama), where national programs were first introduced in the 1940s, and in Asia, particularly in Japan, which reformed its social security laws under American influence. In 1965, Canada added an earnings-related old-age pension program, closely modeled on U.S. precedent, to supplement the universal old-age assistance benefit paid to all resident Canadians since 1927. The Social Security Administration provided significant technical assistance to many countries during the postwar period, providing actuarial services and administrative expertise to the newly established programs.

The United States was, moreover, closely associated with the 1944 "Declaration of Philadelphia" which established new labor standards to be implemented by member states of the International Labor Organization (ILO). In 1952, the ILO adopted Convention 102, which established international social security standards to be adhered to by all ILO member states. Convention 102 is a legal instrument still used today as a set of benchmarks for nations in evaluating their social security legislation. Ironically, the Director General of the ILO at the time of the 1944 Declaration was John G. Winant, the former governor of New Hampshire and the first chairman of the three-man Social Security Board established by the Social Security Act in 1935.

U.S. "Exceptions" in the Development of the OASDI Program

Significant academic research has been devoted to explaining the origins of the welfare state and to categorizing countries according to different sets of criteria (universal coverage, means-tested benefits, greater focus on poverty alleviation, financing from general revenues or from earmarked taxes, generosity of replacement rates, and so on). One of the best-known schools of thought in this respect has been led by Gøsta Esping-Andersen, whose theories spawned a substantial volume of academic literature both in support and in opposition. Originally, Esping-Andersen identified three main streams of the welfare state: the social democratic stream, prevalent in Scandinavia, emphasizing universality and benefit uniformity; the liberal stream,[1] which relies in part on means testing and leaves ample room for the development of employer-sponsored solutions; and lastly, the conservative-corporate stream, prevalent in continental Europe, which permits social insurance programs for health and old age to develop along occupational lines, with each occupational group striving to achieve the best protection possible through collective agreements (Esping-Andersen 1990, 10–33). Esping-Andersen redefined his categorizations of the welfare state several times, but U.S. advocates and critics continued to debate whether his "three worlds of welfare capitalism" could actually be applied to the United States. The problem for the United States (as well as some other countries) was that, if applied too rigidly, elements describing the U.S. system spilled from one category to another. Nevertheless, the value of such exercises in comparative research has been to gain new insights into the particular features of any national system and to ponder the extent to which any national system truly stands apart.

Noteworthy Historical Features of the U.S. Social Security System

Although the OASDI program may not be unique among national public pension programs, some features have strongly influenced its historical development and thus may qualify as being particularly characteristic of the U.S. system:

- exclusive reliance on worker/employer contributions to finance the program,
- importance of long-range projections and annual actuarial reporting, and
- traditional and generous approach to spousal and survivors benefits.

Individually, these characteristics are present to varying degrees in other national social security systems; but the combination of these characteristics, and the steady adherence to them during 75 years of program development, have resulted in a national program that is distinctly American.

Reliance on Worker/Employer Contributions

From the outset, President Roosevelt and the majority of his advisors in the Committee on Economic Security opposed using general revenues to finance the new Social Security program. As one who had worked in the financial and insurance sector, Roosevelt was convinced of the merits of social insurance over the social assistance approach. He wanted workers to "purchase" their future economic security, instead of depending on the whims of current or future taxpayers. He was also clearly convinced of the merits of using the payroll tax over other forms of financing:

> I guess you're right about the economics, but those taxes were never a problem of economics. They are politics all the way through. We put those payroll contributions there as to give the contributors a legal, moral, and political right to collect pensions…With those taxes in there, no damn politician can ever scrap my Social Security program (Schlesinger 1958, 308–309).

The overwhelming reliance on the payroll tax, known as FICA (Federal Insurance Contribution Act) to American wage earners, has endured throughout the 75 years of Social Security's history. There have been examples over time of using general revenues to fund certain earmarked benefits, but they represent small amounts in terms of total Social Security expenditures.[2] A more notable exception was introduced in the 1983 reform of Social Security, which provided for the tax imposed on the Social Security benefits of higher-income taxpayers to be returned to the OASDI Trust Funds. This transfer of a federal income tax to the trust funds has not, however, changed the thinking of U.S. policymakers on the issue of payroll-tax financing, which has remained the guiding principle. This mindset may strike some as somewhat ironic, given that a significant amount of the funding for the Medicare program (notably Parts B and D) is derived from general revenues.

The counterargument for at least some general-revenue financing of Social Security began from the very outset. For example, in his 1937 history of Social Security, Douglas argued that the old-age pensions of older workers, who would soon become eligible in spite of their short contribution records, should be paid from general revenues. Proposals to use general-revenue financing resurfaced repeatedly over the decades, including one made by President Carter in a May 9, 1977, message to Congress in which he recommended using general revenue financing in a countercyclical fashion and transferring revenues from the Medicare Trust Fund to the Old-Age and Survivors Insurance and Disability Insurance Trust Funds (Béland 2005, 145).

The almost exclusive reliance on payroll-tax financing of Social Security places the United States in a different camp from most of the industrialized countries that have long used general-revenue funding to supplement payroll taxes and other earmarked taxes in their social security programs. In France, Germany, and Japan, general revenues fund 30 percent to 50 percent of public pension program expenditures. A simple explanation for this readiness to use general-revenue financing has of course been the reluctance of politicians to raise taxes on workers and employers, fearing (in more recent times) the negative impact on the nation's ability to compete against other countries in the global marketplace. A second explanation is that other governments have chosen to use the public pension programs for purposes other than merely paying old-age pensions. For example, some countries have experimented with early retirement pensions for unemployed older workers or special pensions for workers unable to meet the eligibility conditions or to qualify only for very low benefits. Other countries have introduced special pension credits for workers who take time out of the labor force to raise children or to care for frail and sick family members. Similarly, several countries provide pension credits to insured persons for periods spent studying for advanced degrees or serving in the military. A striking example from recent history was Germany's massive infusion of general revenue funds into the national pension system to help cover the cost of bringing East German pensions up to levels comparable with those enjoyed by West German pensioners. Such measures have been judged by policymakers in other countries to be legitimate social objectives and therefore worthy of being financed not from individual worker and employer contributions, but rather from general taxation.

In spite of the readiness to use general-revenue financing for Medicare, American policymakers have not been persuaded by foreign examples or other arguments to use the Social Security program for a variety of other tasks or social objectives, outside of those established early on: to pay old-age and dependents' benefits. Nor have they been persuaded that turning to greater general-revenue financing was a viable answer to the long-term solvency of the program. Many would no doubt agree with the simple statement of A. Haeworth Robertson, the Social Security Administration's chief actuary from 1975 to 1978: "One of the most important drawbacks of general revenue financing as currently practiced is that it seems to facilitate ignoring the future" (Robertson 1981, 67).

The Special Importance of Long-range Projections

A strong sense of fiscal responsibility on the part of early policymakers largely explains why long-range actuarial projections have been used in the United States from the beginning. The records show that the actuaries began from an early date to use projections of up to 99 years and even into the indefinite future. Although the long-range projection period fluctuated somewhat over the years, by the 1960s it became standard practice to use 75-year projections with three levels of assumptions (popularly known as optimistic, medium range, and pessimistic). The use of 75-year projections and the issuance by law of an annual actuarial valuation setting out the financial prospects of the OASDI program are taken for granted by almost everyone acquainted with Social Security in the United States.

The use of long-range actuarial projections in public pension programs varies widely among countries, but the United States stands out as one of the very few that uses a projection period as long as 75 years. Our neighbor, Canada, with a comparable public pension program, makes 60-year projections while several European countries, including France, use a 30- to 40-year period. Surprisingly, the country with the oldest public pension program, Germany, is legally obliged to issue an annual report using only 15-year projections. On the other hand, Japan uses long-range projections of over 95 years.

There exists among Social Security specialists in the United States and abroad a general consensus about the importance of issuing periodic reports on the financial situation of public pension systems, which can be compared from year to year or at least over fairly short time frames. For example, the UK Government Actuary is required by law to issue an actuarial report every 5 years, as is the case in Japan; Canadian actuarial reports are due every 3 years. More important than the length of the projection period may be the analysis of year-to-year differences in the various demographic and financial assumptions used in formulating the projections. The transparency of this information and the accountability of those responsible for the management of Social Security is a given to many American observers, but this is far from the case in many parts of the world. On the contrary, social security actuaries in other countries often do not enjoy a level of independence or respect comparable with that afforded in the United States. Many middle-income countries do not issue regular actuarial reports because they lack statistical information or political will; many smaller countries do not have access to actuaries to do periodic valuations, so there are gaps in reporting that often exceed 10 years. Even in some developed countries, reports on the financial prospects of the public pension system are considered highly sensitive information and are often carefully "managed" by those in power.

Whatever the differences in the way other countries carry out actuarial analyses of their social security systems, it is fair to say that the 75-year projections have become a significant and enduring feature of U.S. Social Security. The *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* gets wide public attention, with most of the media coverage focusing on the 75-year projections, leaving aside that the report also contains 25-year projections for comparison. How has the importance attached to 75-year projections affected policymaking and legislative developments in the OASDI program? Some observers have argued that long-range projections tend to induce complacency among the members of Congress and a reluctance to tackle long-range problems until a crisis occurs. Robert Béland, who has written extensively on Canadian and American social security policies, states that "The amalgam of a short-term political timeframe and long-term actuarial projection is a distinctive characteristic of Social Security policymaking in the United States" (Béland 2005, 144–145).

Béland's assessment may not hold for the entire 75-year history of the program. A review of the legislative record reveals that the Social Security Act was frequently amended over the decades to adjust both tax and benefit rates, add new benefits, and liberalize or restrict eligibility conditions. However, legislative activity has been relatively infrequent since the last major Social Security reform in 1983. Could the heavy reliance on long-range projections be a contributing factor? In European countries and elsewhere, the shorter timeframes used for actuarial projections have perhaps also shortened solvency objectives, prompting lawmakers to more frequently reform and adjust their public pension programs. Shorter actuarial timeframes have also prompted other countries to introduce more generous benefits and other program liberalizations than could have been justified when taking a longer term view. Social Security experts in the United States and abroad may debate these outcomes, but they would concur that the use of 75-year projections in the United States is very unlikely to be modified for the foreseeable future.

A Unique Approach to Dependents' Benefits

It often comes as a surprise to foreign observers that the United States has retained and fostered a rather generous attitude toward family benefits, particularly for spouses and survivors. The trend has been in exactly the opposite direction in many of the word's developed countries, as dependents' benefits have repeatedly been reduced or even eliminated. As a result, one of the continuing and unique features of the current U.S. Social Security system is that it strongly reflects the traditional assumptions about family relations and gender roles that were prevalent at its creation so many decades ago.

Although survivors' benefits were not included in the 1935 legislation, they were quickly added in 1939, even before the first Social Security benefits were paid. It is notable that, practically from the very beginning, Social Security recognized that married couples had an earned entitlement to a higher retirement benefit by means of an additional spousal benefit—which was (and continues to be) equal to 50 percent of the primary insurance amount of the eligible insured person. The focus was therefore squarely on retirement adequacy and protection of the family unit. By enacting a "couples" benefit which would be higher than that of a single earner, the United States moved at an early date away from actuarial equity and a strict relationship between contributions paid and benefits received. The United States has therefore become one of the few countries (another is Belgium) paying a benefit to the spouse of a retired worker. Most social insurance systems have consistently paid only one pension benefit to the retired worker.

The traditional roles of a male lifelong worker married to a female lifelong homemaker have long ago been overtaken by social change, but this view of the family is still clearly reflected in the structure of U.S. Social Security benefits. The United States has therefore carried on a long-standing debate about how to achieve better gender equity in the Social Security law. Most of the debate pivots on the fact that married women have generally had Social Security protection as dependents of their husbands. Under current law, a married woman can receive a spousal benefit as the dependent wife (or ex-wife) of a covered worker; she can also receive benefits as a covered worker in her own right, but she cannot receive both benefits in full. If she is entitled to both a worker's benefit and a dependent's benefit, she receives an amount equal to the higher of the two benefits. In other words, she receives her worker's benefit plus the amount, if any, by which the spouse's benefit exceeds the worker's benefit (the dual entitlement provision). Naturally, the same provision applies to married (or divorced) men, but it remains infrequently invoked because, on average, husbands still earn higher Social Security entitlements than their wives. Thus, those concerned with equity frequently point out that because benefits are available for spouses who do not work, the lower earner's Social Security contributions in a two-earner married couple usually generate little, if any, additional benefits.

Although Congress has commissioned numerous studies, and public interest groups have invested enormous amounts of energy into finding a solution, the twin goals of the Social Security program—social adequacy and individual equity—remain in occasional opposition. Many married women currently find that the Social Security protection they earn as workers may duplicate, rather than add to, the protection they already have as spouses. Additionally, among two-earner couples, benefits may be higher for those in which one spouse earned all or most of the income than they are for those in which both spouses had comparable earnings, even though their total family earnings are the same. Simultaneously reducing inequities for women workers and providing adequate protection for women with little paid work history would involve striking a new balance between the adequacy and equity objectives of the Social Security program.

The tension between equity and adequacy for men and women has been somewhat differently addressed in many foreign social security systems. First, as noted above, it is rare for the insured worker also to earn a spousal benefit upon retirement. Second, the driving assumption in many developed countries is that women will earn their own individual social security entitlement. The issue of whether their benefit is adequate is naturally of considerable concern, since many women continue to have interrupted work histories, divorce, and earn less than men on average. However, the preferred approach abroad has been to address pension adequacy for women through mechanisms other than spousal benefits, such as pension credits for periods spent in child rearing and family care and splitting social security entitlements between spouses in the event of divorce. The U.S. approach provides less generous retirement benefits to single workers than most developed countries, but addresses the issue of social adequacy by supplementing the worker's benefit with a larger spouse's benefit (Thompson and Carasso 2002, 137).

The United States' unique approach to family benefits has also carried through to survivors' benefits, in that a U.S. widow or widower is entitled to 100 percent (originally 75 percent) of the insured person's primary insurance amount upon the spouse's death. This is unequalled elsewhere in the world, where survivors' benefits tend historically to be much lower (typically 50–60 percent), and the trend has inexorably been toward reducing entitlements to survivors' benefits. The reduction of survivors' benefits in many countries is undoubtedly related to gender equality developments in the late 20th century, as country after country was obliged by law to provide widowers with the same survivors' benefits as widows. This legal obligation proved to be very costly, prompting cuts in benefit entitlement. These cuts have been particularly evident in Central and Eastern European countries (such as Latvia, Lithuania, and Hungary) that no longer automatically pay survivors' benefits unless there are minor children still living in the household. In Germany and France, survivors' benefits are now earnings or means tested. In Japan, prior to the 2007 reform, widows more than 30 years old with no children were entitled to a lifetime survivor's pension; since the reform, they receive the benefit for only 5 years. In Norway and New Zealand, working-age widows are expected to seek employment and are required to participate in employment training and placement programs to be eligible for benefits.

In practically all countries, remarriage results in the termination of survivors' benefits. Again, the United States is more liberal by permitting remarriage after age 60 without any negative impact on benefit entitlement. The United States also provides benefits to dependent parents, a survivors' entitlement that exists in only a handful of other countries, mostly in the developing world. Other countries' efforts to address the adequacy of survivors' benefits have not fully solved the problem; rather they reflect that equity considerations and the desire for women to earn their own Social Security entitlements have profoundly transformed attitudes toward survivors' benefits during the past 40 years.

It is therefore not surprising that the United States is also an exception regarding benefits for divorced spouses. Divorced spouses were originally entitled to a dependent's benefit (50 percent of former spouse's benefit) only after 20 years of marriage; this was reduced to 10 years in the 1977 Social Security Amendments. There is no limit on the number of divorced spouses who may be entitled through the Social Security entitlement of their former spouse. Moreover, benefits paid to a divorced spouse do not count against the maximum family benefit, which varies from 150 percent to 188 percent of the deceased's primary insurance amount. In most foreign countries, the practice in the event of divorce is either to terminate any rights to a social security benefit through the insurance record of the former spouse or to split the pension entitlements evenly between the partners in accordance with the years of marriage (splitting is mandatory in Canada, Germany, and Switzerland, and also in Japan if only one spouse was employed; otherwise, pension splitting is voluntary as part of the divorce settlement).

The treatment of dependents' benefits reflects the observation of many international social security experts that national social security systems are extremely "path dependent"—that is, they are resistant to bold innovation; any changes tend to be incremental and informed by tradition. Revolutionary reforms in social security provisions have occurred (Chile and possibly Sweden are notable examples), but such fundamental restructurings of social security systems are the exception. Far more common is the slower evolution of programs as they adapt to changing social, economic, and cultural conditions. This has been the case in the United States, especially in the area of dependents' benefits, where the Social Security system reflects certain enduring attitudes toward marriage and family.

Concluding Remarks

This consideration of certain special and distinctive features of the U.S. Social Security system should not leave the impression that the U.S. program has evolved in an unusual manner when compared with the public pension programs in other developed countries. On the contrary, the commonalities among mature pension systems are in many ways more remarkable than their differences. It seems unlikely that the developed countries of the world will go down radically different reform paths given the path-dependent nature that has been observed over the many decades of social security development. More likely, countries will make use of "policy transference" in looking for solutions to common problems, adopting changes and innovations that have seemingly worked well in other countries. A striking example of policy transference is the move among many countries toward higher normal retirement ages, of which the United States was among the first in 1983. Many future reforms will be driven by two major and very common preoccupations: the aging of the population and the prospect of inadequate retirement benefits among vulnerable population segments.

The rapid aging of the population in the developed countries of Europe, Asia, and North America will compel social security systems to readjust many of their current provisions, including the earliest age at which insured persons can exit the labor force, the normal retirement age, indexing current-payment pension benefits for changes in the cost of living, and cross-financing between pension benefits and health insurance for pensioners. In response to falling birth rates and a shortage of native-born younger workers to contribute to social security in all developed countries, the role of immigration will be at the forefront of policy discussions. At the same time, the three-pillar approach to financing retirement—public social security pensions, employer-sponsored pension plans, and individual retirement savings vehicles—will need to be reinforced. A more coordinated and integrated approach to national retirement income goals seems both unavoidable and imperative for the future security of older persons.

Countries with developed social security systems will also be keenly aware that reform efforts may adversely affect those members of the population who are lifelong low earners or who experience prolonged unemployment and interrupted work histories, affording them little opportunity to acquire adequate social security entitlements or significant retirement savings. The European Commission estimates that approximately 13 percent of older persons in the European Community currently live below national poverty thresholds; the equivalent figure in the United States is about 10 percent (Zaidi 2010, 12). Economic vulnerability among the elderly is particularly high for widows, immigrants, the disabled, and those older than age 85, most of whom are women. For example, among widowed women aged 65 or older who receive Social Security benefits, the near-poverty rate (defined as income below 150 percent of the official poverty threshold) is nearly 38 percent (Weaver 2010).

Older persons in the developed countries of the world, including the United States, have benefited from decades of progress toward income security. The concern now is how to ensure financial solvency of public schemes without increasing the financial insecurity of future generations of retirees or unduly burdening future generations of contributors. Increased revenues will be needed to finance benefits for larger numbers of retirees, and countries will be faced with deciding whether to readjust existing Social Security payroll tax rates and other sources of revenue. What steps will be needed to ensure that the search for financial solvency does not negatively affect gender equity and social adequacy? What measures of financial solvency will allow politicians and the voting public to better understand the reform choices and to build confidence in the reliability of public pension plans for future generations? The search for solutions to these challenges will undoubtedly oblige countries to look for successful reform models elsewhere, and to address common issues of solvency and adequacy, rather than pursuing divergent reform paths in an increasingly globalized world.

Notes

[1] The European use of the term "liberal" denotes business-friendly policies.

[2] One example was introduced by the 1965 Social Security amendments, which granted special protection to individuals aged 72 or older; individuals who had contributed for at least three calendar quarters but could not formally qualify for benefits received a special monthly pension of $35. The benefit level was subsequently increased and extended to all uncovered individuals aged 72 or older, even those who had never contributed. These special old-age benefits were paid from general revenues.

References

Altman, Nancy J. 2005. *The battle for Social Security.* New York, NY: John Wiley & Sons, Inc.

Béland, Daniel. 2005. *Social Security: History and politics from the New Deal to the privatization debate.* Lawrence, KS: University Press of Kansas.

Esping-Andersen, Gøsta. 1990. *The three worlds of welfare capitalism.* Princeton, NJ: Princeton University Press.

Robertson, A. Haeworth. 1981. *The coming revolution in Social Security.* McLean, VA: Security Press.

Schlesinger, Arthur M., Jr. 1958. *The age of Roosevelt, vol. 2: The coming New Deal.* Boston, MA: Houghton-Mifflin Co.

Social Security Administration. 2008. *Social Security programs throughout the world: Europe, 2008.* Washington, DC: Office of Retirement and Disability Policy, Office of Research, Evaluation, and Statistics. Available at http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2008-2009/europe/index.html.

Thompson, Lawrence H., and Adam Carasso. 2002. Social Security and the treatment of families: How does the United States compare with other developed countries? In *Social Security and the family: Addressing unmet needs in an underfunded system,* Melissa M. Favreault, Frank J. Sammartino, and C. Eugene Steuerle, eds., 123–176. Washington, DC: Urban Institute Press.

Weaver, David A. 2010. Widows and Social Security. *Social Security Bulletin* 70(3): 89–109. Available at http://www.socialsecurity.gov/policy/docs/ssb/v70n3/v70n3p89.html.

Zaidi, Asghar, ed. 2010. *Poverty among older persons and pensions policy in the EU.* Vienna: European Center for Social Welfare Policy and Research.