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The system's trust fund is expected to run out by 2033 unless Congress takes action.



POLITICS & IDEAS

The Social Security Crisis Is Coming

Today's political din makes it difficult for genuine warning calls to break through, but the Social Security system's trustees in late June sent a signal so alarming that America can't ignore it: Unless lawmakers do something, the system's trust fund will be exhausted in the first quarter of 2033—sooner than earlier reports predicted. This crisis will trigger large cuts in benefits to current and new beneficiaries.

To preserve Social Security, Congress will need to address the coming insolvency crisis no later than the next president's first term. *

Time isn't on our side. If lawmakers acted tomorrow, restoring Social Security's long-term solvency would require a 22% benefit cut for current and future beneficiaries, a payroll tax increase to 16%, up from the current 12%, or a combination of benefit cuts and tax hikes. If we waited until the trust fund was depleted, we would have to cut benefits by nearly 26%, or the payroll tax would have to rise to nearly 17%.

A few factors explain why Social Security is on this trajectory. The U.S. is a rapidly aging society. The number of beneficiaries is rising much faster than the number of workers paying into the system. The end of this demographic transition is decades away. *

In 2000, 35.5 million Americans eligible for Social Security (12.3% of the total eligible population) were 65 or older. This year, 64.7 million (18.6% of the eligible population) are. This means that during the past quarter-century, the elderly share of the eligible population has risen by more than 50% while the number of elderly Americans has risen by 82%. The total population has risen only 21%.

These trends will continue. By 2035, the Social Security trustees project, the number of eligible Americans 65 and older will rise by nearly 20% while the total population will increase by only about 5%.

The aging of the massive baby boom generation is responsible for most of these demographic changes. The oldest boomers reached 65 in 2011; the youngest will in 2029. *

We're also living longer. In 2000, on average, 65-year-olds could expect to live for about 17.5 years. By 2025 this had risen by more than two years, to 19.7, and demographers project that this figure will continue to increase.

With beneficiaries living longer, it's no surprise that Social Security expenditures have risen from their 50-year average of 4.4% of gross domestic product to 5.2% in 2025 and are projected to reach 6% of GDP in 2035.]

At the same time, declining fertility rates mean fewer workers to support each beneficiary. In 2000 there were 3.4 workers per beneficiary. In 2024 the ratio was 2.7. It's projected to fall to 2.3, over

the next decade. This is why payroll tax rates for current workers would have to increase so steeply by 2033 to sustain the system without benefit cuts.

During Treasury Secretary Scott Bessent's confirmation hearings, he repeated the mantra "We do not have a revenue problem in the United States of America, we have a spending problem." As evidence, he cited that federal revenues now stand around their historical average as a share of GDP. Mr. Bessent serves ex officio as managing director of the Social Security trust funds and signed the 2025 Trustees report. In this capacity, he surely understands that whatever the situation of the rest of the federal budget, Social Security does have a revenue problem, generated not by increased benefits but by longterm demographic trends.

Contrary to what the Treasury secretary and many fiscal hawks claim, the stubborn reality of our aging society has rendered the historical average of federal revenue obsolete as a guide for future policy, even if the spending cuts in the "big, beautiful bill" become law.

Another stubborn reality— public opinion—pushes in the same direction. President Trump has repeatedly ruled out cuts to Social Security beneficiaries since he declared his first candidacy a decade ago. Most Democratic elected officials agree with him, as do most voters. If benefit cuts are off the table, the Social Security system will face huge revenue problems.

If we had acted when we should have, we could have phased in reforms gradually, giving future beneficiaries time to adjust without significantly harming current beneficiaries, who can't easily cope with a sudden change. Now it's too late.

Decades of evasion, during which the problem has worsened and the needed solution has become more severe, are coming to an end. Both parties' 2028 presidential nominees will have an obligation to level with the American people about the hard choices that lie ahead.

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