

## **"When I'm Sixty-Four: The Plot against Pensions and the Plan to Save Them"**

by Jim Syfers

"When I'm Sixty-Four" is a song by the Beatles, but also a book by Theresa Ghilarducci, (Princeton, 2008), subtitled The Plot against Pensions and the Plan to Save Them. The author is an economist who has taught at Univ.of Notre Dame, Harvard and the New School.

Perhaps it is a reflection of our times that in her first chapter she finds it necessary to argue for the view that civilized societies are societies that make it possible for individuals to retire. She does not address the further issue as to whether we are a civilized society. I'll assume we are, for purposes of this review.

I've written before on the pension crisis in the United States so I'll concentrate on her solution. First it is worth noting that she is very clear that the problem is a political one, not an economic one. And if the expense of an aging population will force our political leaders to make decisions in the near future, the situation is mild compared to other countries. Italy, for example, is expected to devote 18.5% of gross domestic product to pensions and health care in 2050 compared to 5.5% for the United States.

The average preretirement income in the US in 2006 was \$38,696. When the average worker retires, Social Security will replace 41.5 % of that, or \$16, 058. However, it is generally supposed that the minimum replacement rate to avoid a significant drop in living standards would be 70% of preretirement income. Theresa Ghilarducci's plan, called the Guaranteed Retirement Account, (GRA), would supply the missing 30%. Individuals would contribute a mandatory 5% of income to a GRA administered by the Social Security system. The 5% could be split between employee and employer, and to avoid hardship a \$600. refundable tax credit will be given to all workers regardless of income.

Of the various books and articles I have read on the pension issue over the last few years, this one is the clearest, most informative, and encouraging. If there is a general reaction in the coming election against the social cruelty program of the neoconservatives, it may well have a chance of being considered in the next Congress. If it is, I hope we'll also see a measure to bring up the income of people who are already retired to the 70% . That is, after all, only \$2257 a month.

- Ed.