Goodman Institute Quarterly
Turning Ideas Into Policy
Fourth Quarter 2023

60 Minutes Discovers Kotlikoff's Social Security Horror Stories

In a recent investigative report, the CBS program *60 Minutes* highlighted a series of alarming practices within the Social Security Administration, documented by Boston University economics professor and Goodman Institute Senior Fellow Laurence Kotlikoff.

The program revealed that the Social Security Administration has been dispatching over one million letters annually (later revealed to be 2 million) to beneficiaries, notifying them of overpayments and demanding the money back. Shockingly, the sums demanded can date back several decades and can reach several hundred thousand dollars, even for beneficiaries who are mainly living on Social Security income today.

Goodman Institute President John Goodman said, "No private pension treats retirees in such a manner. If they did, they would likely be in violation of federal law." Kotlikoff told *60 Minutes* that the common stance of the Social Security Administration is, "Our mistake is your problem."

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Kotlikoff said individuals face significant challenges in rectifying their own benefit claim mistakes, even when they result from erroneous guidance provided by Social Security personnel. By contrast, the agency appears unyielding in its pursuit of overpayments caused by its own mistakes.

Prof. Kotlikoff has meticulously documented a range of "indefensible abuses" perpetrated by Social Security personnel. He has established a dedicated portal where individuals can share their own personal "horror stories."

Goodman says there is an average wait time of 35 minutes before a call to Social Security is answered. When calls are finally answered, there is often a risk of receiving inaccurate information.

The Goodman Institute has identified the following consequences resulting from inaccurate and misleading information disseminated by Social Security:

The typical retiree is forfeiting an estimated $182,370 (in present-value terms) by claiming benefits prematurely.

Over 13,000 widows and widowers have collectively lost $130 million in Social Security benefits due to errors in claiming spousal benefits (as per the Social Security Inspector General's estimate).

Married couples are also losing thousands of dollars due to missteps in claiming spousal benefits.

The Goodman Institute believes that it will be politically impossible to reform senior entitlement programs unless the reforms begin by making the programs work better for the current generation of retirees.

Our Tattered Health Care Safety Net

Here's the good news. Only 1 percent of Americans are (1) lawful U.S. residents, (2) uninsured and (3) lack access to subsidized health insurance.

Currently, 24.3 million individuals in the United States are uninsured. But aside from those who are here illegally, virtually everyone else is eligible for enrollment in Medicaid or in private plans such as those offered in the Obamacare exchanges or by employers.

Here's the bad news. Almost all of the increase in health insurance coverage under Obamacare has been the result of an expansion of Medicaid. What is wrong with that? Two things.

First, since Medicaid pays the lowest provider fees, Medicaid enrollees are the last patients doctors want to see. Almost a third of doctors won't take any new Medicaid patients at all. Second, since eligibility for Medicaid is determined by income, people find they are enrolled and disenrolled frequently over the space of a few years.

Families at the bottom of the income ladder find that as their income goes up and down and as their job opportunities ebb and flow, they bounce back and forth among eligibility for Medicaid, eligibility for subsidized insurance in the Obamacare exchanges, eligibility for employer-provided coverage and sometimes eligible for none of the above. No continuity of health insurance usually means no continuity of medical care.

Consider these headlines:

Infant mortality rises for the first time in 20 years.

For those without college degrees, life expectancy reached its peak around 2010 and has been falling ever since.

Syphilis cases in newborns is ten times what it was a decade ago. In 40% of the cases, the mother had no prenatal care.

Almost four in ten Medicaid enrollees delay care because of cost.

Traffic to emergency rooms is higher than ever. The average wait time is 2½ hours.

Patients wait 13 hours for free health care.

Despite the appearance of universal coverage, we are doing a very poor job of providing care to those at the bottom of the income ladder. Careful studies have determined that Medicaid itself is a poor health insurance plan. In the most meticulous study ever done of the matter, researchers discovered that Medicaid in Oregon had no effect on the physical health of enrollees and that emergency room traffic actually increased after enrollment. A subsequent study found that Medicaid enrollees value their participation in Medicaid as little as 20 cents on the dollar.

It's not clear that Obamacare's exchange insurance is that much better. One reason Congress added on an extra tier of subsidies for higher income families is that the unsubsidized part of the individual market was in a death spiral. It seems that very few people are willing to pay the market price for what Obamacare has to offer.

For solutions, see John Goodman at *Forbes*.

John Goodman in D.C.

High School Debate Site

This year's high school debate topic is on redistributing income to reduce inequality. Here is the resolution:

> **Resolved:** The United States federal government should substantially increase fiscal redistribution in the United States by adopting a federal jobs guarantee, expanding Social Security, and/or providing a basic income.

Since debaters have to debate both sides, and since that includes getting up to speed on negative counter proposals (ways to reduce inequality without redistributing income), this topic will require the debaters to become knowledgeable about every domestic policy area that the right-of-center think tanks care about.

To help them do that, the Goodman Institute is maintaining a debate site available to all high school debaters.

The Goodman Institute website includes a debate site to help keep high school debaters up to speed issues surrounding this year's debate topic.

School choice, replacing the income tax with consumption tax, deregulating occupational licensing, privatizing the welfare state, raising or lowering the minimum wage law, why a tax on capital is really a tax on labor, and why free market economies have less inequality than socialist economies – these are all issues about which debaters will have to get up to speed.

The national high school debate topic always has a liberal slant. However, this year's topic opens the door to arguments and evidence that is radically different from previous years. This is a golden opportunity to get an awareness of sensible ideas and sensible reforms out to young people – the brightest and most able of high school students.

In an overview of the topic, Dr. Goodman notes that Prof. Laurence Kotlikoff and his colleagues have produced the most accurate estimates of inequality, the penalties for working and the penalties for marriage of those available anywhere.

Most measures of income inequality ignore differences in age.

As a result, they end up comparing 20-year-olds (just starting out in life) with 80-year-olds (receiving income based on a lifetime of saving).

These measures also ignore the effects of our fiscal system (taxing and spending by government). And they ignore the lifetime effects of fiscal policy (people with low earnings today get more of their pre-retirement wages replaced by Social Security in the future).

Kotlikoff's more careful analysis shows that there is far less inequality than what conventional measures tell us.

The 2017 Tax Cut is Working as Planned

Goodman Institute Senior Fellow Laurence Kotlikoff and Berkeley economist Alan Auerbach were the brains behind the Ryan/Brady tax reform bill. That eventually morphed into the 2017 Republican tax cut – the largest corporate tax reduction in U.S. history.

As reported at the Goodman Institute web site, Kotlikoff's model predicted that the reduction in tax rates would lead to an inflow of capital from abroad, higher investment and higher worker wages.

John Goodman and Steve Forbes at an Atlas Network conference in New York City.

Not everyone agreed. *New York Times* writer Paul Krugman, for example, seems to believe tax cuts only benefit the rich and don't affect anyone's behavior – even though he worked in the Reagan administration, which lowered marginal tax rates for everyone.

The latest (very technical) study posted by the National Bureau of Economic Research confirms the original Kotlikoff/Auerbach expectations. There has been a significant capital inflow, and firms that received the average tax cut increased their domestic investment by 20%.

In the long run, annual tax revenue to the government will be higher than otherwise – mainly because of the higher taxes paid by workers who are earning higher wages.

Democratic economist Jason Furman, an initial skeptic, had this to say about the study:

These are the most convincing estimates of the response of investment to corporate tax rates that I've ever seen. They take advantage of the fact that tax rates change a lot for just about every company, and by very different amounts depending on their circumstances.

HSA Birthday

This year marks the 20th anniversary of the law that created Health Savings Accounts. In celebration of the event, Dr. Goodman and other individuals who played a key role in making the legislation possible gathered for a celebratory dinner in Washington D.C. in December.

Outreach

The Goodman Institute was represented at the Mont Pèlerin Society meeting in Breton Woods, New Hampshire in October; at the Atlas Network annual conference in New York City in November; and on numerous trips to Capitol Hill.

John Goodman and Alex Chafuen (founder of the Atlas Foundation at a Mont Pèlerin Society meeting in Bretton Woods, New Hampshire.

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