



FOR IMMEDIATE RELEASE: February 3, 2005

SOCIAL SECURITY IS NO ROBIN HOOD Economists' Study Finds Program May Not Redistribute Money from the Rich to the Poor

In a new study, *Income Redistribution from Social Security* (AEI Press, February 2005), economists Don Fullerton and Brent Mast argue that contrary to popular belief, Social Security may not redistribute money from the rich to the poor. Their finding, based on new data and assumptions about Social Security's treatment of Americans with different incomes, is especially significant now as the administration advances Social Security reform.

A large majority of Americans do not expect to receive their full Social Security benefits upon retirement—and some fear that proposed remedies may leave them worse off still. Partial privatization, one of the most talked about proposals for restoring Americans' retirement security, draws criticism that it will leave low-income retirees with less retirement income than the current system provides. Yet we cannot determine the impact of reform proposals on income redistribution unless we understand the amount of redistribution in the current system.

Because its benefit formula favors low-income recipients, many people assume that Social Security redistributes income from rich to poor. In fact, numerous other factors affect how income is redistributed through the program.

Fullerton and Mast examine seven crucial factors affecting how Social Security redistributes income. For example, those with higher incomes tend to have greater life expectancy and thus receive benefits for more years—which tends to reduce the transfer of income from the rich to the poor. Among the other factors the authors discuss are spousal benefits, nonmonetary income, and sharing in the household. By analyzing how existing studies account for these factors, this study exposes remaining deficiencies in existing research and identifies areas for future analysis. For instance, Fullerton and Mast call for research on cost of living adjustments for different geographic localities, and workers not covered by Social Security.

Income Redistribution from Social Security provides the fullest understanding yet of how income redistribution from the program works. It is an invaluable guide for policymakers and others concerned with how various reform proposals—and inevitable changes—will affect their retirement security.

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