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Three in a Tub?

Think tanks propose chopping Social Security benefits from the top down

(Note: This article follows up an [op-ed](#) in the The Hill and News Nation [interview](#).)

With Social Security’s annual “[groundhog day](#)” fast approaching, three prominent DC think tanks that stress fiscal discipline are coalescing around the idea of cutting Social Security benefits from the top down.

Social Security [groundhog day](#) refers to an annual spring ritual. Year after year, as the spring flowers bloom, Social Security’s trustees release their annual report warning policymakers of the program’s looming insolvency. Congress and the White House then do nothing and the program’s fiduciaries and actuaries creep underground.

Last year’s report cautioned that reserves in Social Security’s combined trust fund would be depleted by 2034. The trustees [projected](#) that Social Security would draw down \$181 billion from the trust funds in 2025 with the annual

amount rising to \$405 billion in 2033. This year's report is likely to paint a slightly darker picture.

In March, Social Security chief actuary Karen Glenn told members of the [Senate Budget Committee](#): “The math is simple—lawmakers need to take actions that will increase program income by about one-third, lower scheduled benefits by about one-fourth, or adopt a combination of these approaches.”

While progressives tend to favor solvency solutions that [raise taxes](#) for the highest income, economists at these three think tanks which often stress fiscal discipline, say it would be better to cut Social Security benefits from the top down:

- In a recent [study](#), the **Cato Institute** (libertarian) suggests: “A realistic and fiscally responsible policy objective would transition Social Security into a targeted anti-poverty program, similar to New Zealand’s Superannuation, which effectively reduces old-age poverty while containing costs for taxpayers. If Congress is unwilling to significantly change Social Security’s earnings-related design, it should at a minimum reduce benefits for higher earners to prevent harmful payroll tax hikes and focus limited taxpayer resources on those most in need.”
- During an April 14 [webinar](#), **American Enterprise Institute** (conservative) economists presented a couple of ‘chop-the-top’ approaches. One offers “a [framework](#) in which monthly benefits in 2033 would be capped at \$2,050 (in 2024 dollars), an amount that would provide full scheduled benefits for roughly half of retirees.” Benefit reductions for the remaining, higher-income half of retirees “would be progressive.”
- The **Committee for a Responsible Federal Budget** (budget hawks) recently proposed [capping annual Social Security benefits](#) at \$100,000 per couple and \$50,000 for single retirees. Very few beneficiaries would hit those caps now. However, because the caps would not be adjusted

for [inflation or other factors](#), more high-income retirees would hit the benefit limit each year.

It remains to be seen if top-down benefit cuts like these would pass muster with American voters.

In contrast to cutting benefits, a recent [survey](#) found that Americans favor raising taxes to keep Social Security financially stable, and particularly for higher earners. Funded by AARP, the National Academy of Social Insurance study identified three features that would boost a solvency package's appeal the most: 1) Applying the Social Security payroll tax, which in 2025 was assessed on work income up to \$176,100 a year, to earnings above \$400,000 as well, 2) Gradually raising the payroll tax rate from 6.2 percent of gross wages to 7.2 percent for both employees and employers, and 3) **Not raising** the full [retirement age](#).

Major benefit cuts would not help Social Security's finances much in the near term. That's because the government would have to implement benefit cuts gradually (probably over decades) to give people enough time to adjust their financial planning and savings to make up the lost retirement income. In contrast, tax increases can help the program immediately. And Social Security needs help ASAP to continue paying promised benefits.

Last year CBO [estimated](#) that Social Security's actuarial deficit over the next 75 years is equal to 1.5 percent of [GDP](#) – roughly \$400 billion annually. That's about the same amount that the Trump tax bill adds to the national debt each year.

Walking back the tax cuts is not necessarily the best way to fully fund Social Security. But CBO's analysis shows that there is ample room to restore its solvency by reversing tax changes of a magnitude that did not disrupt the US economy. An amount equal to 2025 tariff revenues could eliminate most of Social Security's financing gap.

If Congress fails to act before Social Security trust fund depletion, it could opt to move money from [general revenues](#) into the trust fund either as an intra-governmental loan or a longer-term funding source. After all, the reserves

that Social Security is now drawing down from its trust fund are IOUs for money the Treasury borrowed to pay for other commitments when the program was running a surplus for many years. Because the larger government runs a deficit, drawing down Social Security [reserves](#) already is increasing the national debt.

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