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United States Senate Subcommittee on Economic Policy
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Good afternoon, Mr. Chairman, Ranking Member Heitkamp, and members of the subcommittee:

It is an honor to be invited to testify before this subcommittee and its distinguished members. Moreover, it is a privilege to testify alongside former-Senator Kent Conrad. I congratulate the subcommittee on its interest in creating a sustainable and viable retirement system for the 21st century.

My testimony today is divided into three parts. In the first, I look at the history of federal policy with respect to the economic security of the American people, how that policy changed in response to changing economic conditions, and how our current set of retirement programs and policies emerged from these changes. In the second section, I draw the subcommittee's attention to the ways in which the economic changes our country is currently undergoing are deep enough and pervasive enough to require fresh thinking about economic and retirement policy. Finally, I offer some suggestions that I hope will assist the subcommittee's distinguished members as they work to craft novel retirement security policies for an approaching economic order while preserving programs like Social Security that remain essential to the economic security of older Americans.

The American Dream & Government

Many believe that the federal government's promotion of the economic security of the American middle class is a relatively recent development, dating back to Franklin Roosevelt and the New Deal. This is far from the truth. From the revolutionary period to the present day, American presidents and congresses have worked to develop policies and laws that promote the American Dream – to help the American people build dignified and secure lives through hard work. Our understanding of the American Dream has changed over the centuries, and successive generations have changed the methods by which they seek to promote the common welfare, but the prosperity and the security of the American people has remained at the center of national policy from the time of George Washington into the 21st century.

For much of our history, the majority of the American people earned their living in agriculture. In the 18th century, farmers comprised approximately 90 percent of the American labor force. Only in the 20th century did the percentage of agricultural workers fall significantly below 50 percent of the labor force. For both American citizens and the immigrants drawn to our shores, the American Dream at this time meant a freehold family farm; elected officials understood that the opportunity to own a farm was what constituents most wanted, and they made it their business to ensure that federal policies supported that goal.

Politicians also understood that the independence and security of family farming was the foundation of the American political system. Political theorists like Thomas Jefferson believed

that independent free farmers made the American democratic system possible. Freed from the servile dependency that characterized so much of peasant agriculture in Europe, and trained in the habits of responsibility and hard work by the requirements of property owning, American farmers could be safely entrusted with the choice of elected officials. Federal support for the independence and prosperity of farmers was not just in the country's economic interest; such support strengthened the foundations of American society in line with Jefferson's belief that "Agriculture...is our wisest pursuit, because it will in the end contribute most to real wealth, good morals, and happiness."

Indeed, the Land Ordinance of 1785 and the Northwest Ordinance of 1787, both of which were adopted by Congress before the Constitution was signed, already envisioned a future of independent, yeoman farmers in early America. These ordinances helped create a system that organized the sale of federal land west of the Appalachians to private citizens, and remain a basis of the Public Land Survey System and the Bureau of Land Management that we know today.

The federal government continued to promote the establishment of the family farm throughout the 19th century with a full range of economic, diplomatic, and even military policies. President Jefferson's Louisiana Purchase opened up over 800,000 square miles of land for Americans to settle. The 1862 Homestead Act gave away millions of acres of land to settlers who were willing to brave the treacherous westward journey and settle in the interior.[1] The early diplomatic emphasis on gaining free access to the Port of New Orleans for western farmers, like the later promotion of railroads to open up the vast western territories, was designed to ensure that farmers in the remote American interior were able to sell their goods on world markets. The establishment of land grant colleges at the end of the 19th century sought to both train young farmers and to conduct important research into new farming methods. Taken together, these policies, among others, formed what might be called the "Green Model" – a coordinated government effort to provide Americans, who lacked opportunities to own large tracks of farmland on the coast, with the ability to seize the 19th century American Dream if they moved to the interior.

By promoting land ownership at low cost and encouraging agricultural education, the Green Model sought to deliver for Americans the unique financial and societal security that a family farm could provide. Besides the revenue and sustenance from working the land, family farming helped Americans accumulate wealth. Additionally, family farms provided for retirement. Grown children could continue tending the land while taking care of their elderly parents, or the family farm could be rented or sold, providing an income for farmers who could no longer work the land for themselves.

The security provided by the family farm began to erode in the late 19th century. As more settlers took advantage of Green Model land policies, the remaining unsettled land became ever more marginal. At the same time, a more competitive, large-scale, and capital-intensive farming model

[1] It is important to note that, although the Homestead Act essentially provided free land to settlers, the westward journey inflicted heavy physical, emotional, and fiscal costs on settlers. It would be incorrect to view the Homestead Act as a handout.

emerged, which gradually made family farming riskier and less rewarding. The share of farmers in the labor force declined from approximately 64 percent in 1850 to 27 percent in 1920.

As the American economy shifted away from American agriculture and toward factories and mines, Americans experienced growing inequality and uncertainty between 1865 and 1900. Following the Civil War, portions of American society clung to the Green Model way of life even as the rural economy fell behind the manufacturing economy of the great cities.

Farmers lobbied for federal assistance to achieve 'parity' with urban workers, but the relative decline of the agricultural economy continued. While pro-farm policies aimed to preserve Jefferson's idyllic vision of a nation of yeoman farmers, these policies were no match for larger economic trends that were recasting American society as well as the economy.[2] It became increasingly clear that the Green Model could no longer serve as the ordering principle for federal policy, but the dynamics of the new economy were not well understood and its full wealth creating potential had not yet been realized.

As the twentieth century witnessed a clear transition from an agricultural to an industrial era, a new version of the American Dream appeared and a corresponding federal policy model began to take shape. Teddy Roosevelt capitalized on widespread calls for reform and ushered in a new kind of politics. Past presidents made history by opening new land for settlement; Theodore Roosevelt made history by protecting federal lands from settlement and establishing our system of national parks. Franklin Roosevelt's New Deal policies further advanced the evolution of a new system tailored to an urban society with a manufacturing economy.

The process of transition was a slow one, with many setbacks and upheavals, but by the 1950s, a new and stable social system had emerged. Americans had learned to manage the forces of industrialism, to regulate the power of finance, and to use the vast resources which an industrial society creates to address the unprecedented social problems that the rise of the modern city and the modern factory system brought into being. In post-World War Two America, both blue-collar and white-collar workers increasingly had stable, lifetime jobs in a growing economy. Within this new economy, high school graduates were essentially guaranteed lifetime employment in a job that, at a minimum, provided a comfortable, lower middle-class lifestyle. Likewise, college graduates could expect an equally secure future with an even greater standard of living.

The new economy led to a new American Dream. Americans no longer dreamed of owning a family farm, rather they dreamed of owning a suburban home accompanied by a consumer lifestyle. To ensure that Americans willing to work for it could have that dream come true, the United States government created a novel policy system during the 1950s and 1960s – a set of policies and practices sometimes called the "Blue Model." New transportation measures, like the Federal Aid Highway Act of 1956, aimed to link cities and employment centers with cheap, suburban housing, so that geography would not prevent Americans from achieving the new

[2] It is worth noting that a disproportionate number of policies seek to aid American farmers today despite the fact that less than 2 percent of the American labor force works in agriculture. One can argue that these policies harken back to Jefferson's vision of America and the Green Model.

American Dream. Likewise, thirty-year mortgages with low interest rates allowed lower- and middle-class Americans to own suburban homes and accumulate wealth. Tax advantages for the municipal bond market allowed American cities and towns to build the infrastructure the new suburbanites wanted at an affordable cost.

The United States government demonstrated its commitment to promoting opportunities for working Americans. While Blue Model policies differed significantly from those of the Green Model, both models aimed at the same goal – to provide as many Americans as possible with the opportunity to realize the American Dream in accordance with the economic and societal conditions of the time. Neither model sought to accomplish this goal through 'handouts' or guaranteed outcomes. Rather, they provided Americans with the ability to accumulate wealth through hard work.

Sadly, both the Green Model and the Blue Model developed policies to the exclusion or even the detriment of American minorities and particularly African-Americans. American slavery and the share-cropping era under Jim Crow meant that free black farmers were virtually absent from the independent yeoman-farmer vision of Jefferson and his 19th century successors. In the 20th century, red lining prevented many African-Americans from attaining the financial security and independence of home ownership, while New Deal programs often excluded domestic workers, wait-staff and farm-hands – occupations that were disproportionately held by minorities or women. Nonetheless, for a large majority of Americans, these policies contributed to the enormous growth of economic prosperity of 19th and 20th century America.

Retirement policy was one of the areas in which policy had to change in response to new conditions. Factory jobs did not provide the same kind of economic security that farm ownership did. Especially in the early years of the factory system, and again during the Depression, many ordinary working people lacked the ability to save for retirement, but the factory system was unforgiving.

Like the Green Model, the Blue Model began to fail over time. As foreign manufacturers recovered from the devastation of World War II, German and Japanese companies challenged complacent American firms.

In this new and often more challenging environment, companies had to become more flexible. Industry became more competitive, private-sector managers shed bureaucratic habits of thought, and defining characteristics of the economy, like lifetime employment and defined benefit pensions, began to disappear. Additionally, the combination of low wage competition from the developing world and automation in advanced country manufacturing began to cut into manufacturing employment in the United States. The process of change started in the 1970s; in subsequent decades it became clear that the global economy, and the American economy with it, were caught up in a process of transformation as dramatic and far reaching as the industrial revolution itself.

A New Economic Revolution

Americans today are caught up in a whirlwind of change, and most basic assumptions on which our social policy are based are coming under challenge. Old jobs and old industries are disappearing, and new ones are sometimes frustratingly slow to emerge. Wages for many workers have stagnated as well paid jobs, especially in manufacturing, become scarcer. The percentage of nonfarm workers in manufacturing has declined from a World War II-high of approximately 38 percent to approximately 8.6 percent in 2016, and many clerical jobs have also disappeared.

New technology and competition also have pushed out, and will continue to push out, many legacy 20th century employers and the jobs and job security they provide. For example, nearly 88 percent of the employers featured on the 1955 Fortune 500 list did not make the 2014 Fortune 500 list. The rise and fall of companies like Blockbuster highlight the pace and intensity of change in the 21st century economy.

In addition to the decline of stable companies and the lifetime assurance of stable employment that they brought, the traits that define jobs today vary significantly from the traits that defined mid-20th century jobs. Workers today are no longer guaranteed long careers with a single employer or within a single industry, nor do many of them want to be confined by a lifetime job, and the percentage of the labor force employed by the same company for twenty years or more continues to decline.

Workers today, especially millennial workers, are more likely to "job hop" than past generations. According to the employment-based, social networking website LinkedIn, "the number of companies people worked for in the five years after they graduated [from college] nearly doubled" from 1.6 jobs in 1986 to 2.85 jobs in 2010. Polling data has also shown that millennials view job hopping more favorably than other generations. Gallup found that 60 percent of millennials are open to a new job opportunity (as compared to 45 percent of non-millennials) and that millennials are the "least engaged generation in the workplace."

The advent of the technologically-facilitated gig economy also has added to the high level of "churn" in the workplace today. The McKinsey Global Institute estimates that between 20 and 30 percent of working-age Americans currently participate in the gig economy. As apps and websites like Uber, Lyft, Airbnb, TaskRabbit, Ebay, and Etsy have become commonplace in our society, there has been a growing acceptance of gig jobs. Indeed, out of the 68 million independent workers in the United States, McKinsey estimates that 72 percent of them chose to be independent workers by choice. As technology continues to engrain gig work into the ethos of American workers—especially younger workers—I believe that gig work will contribute to an increased restlessness in the future workplace and could well become a defining characteristic of the information era.

The structural employment changes that have taken place in the information era have coincided with important societal changes. Americans have a dramatically different concept of retirement than previous generations. American living standards and life expectancy have increased. (In 1935, American average life expectancy was 61 years; by 2016 it had risen to 78.) Now,

Americans need enough retirement income to facilitate an active lifestyle defined by travel and leisure. Historically, many people saved to avoid poverty in old age; Americans want more out of their later years – but neither as individuals nor as a society are we making the choices that can sustain these expectations.

At the same time that Americans expect to spend more years, and more active years, in retirement, they are increasingly delaying their entry into the world of work. In 1900, many Americans went to work after eight or even fewer years of formal schooling; more and more young Americans today spend sixteen or more years in education before they begin their life's work. In 1935, many Americans entered the workforce at 15, stopped working at 60, and died soon thereafter. Today, many don't enter the workforce until they are almost thirty, retire between 65 and 70, and live for 15 to 25 years longer. In 1935, Americans spent almost 75 percent of their lives in the workforce; today, we are only in the labor force for about 50 percent of our lifespan, but the income from those years must support the costs of child-raising and the costs of a long retirement. As a people, our savings patterns do not reflect these realities.

In the long run, this pattern cannot be sustained. We must either save more, work longer, or consume less in retirement. Yet even as we contemplate this uncomfortable reality, many Americans feel their choices are constrained. Stagnant or falling wages make it harder for many families to save. The costs of college continue to rise, and 'degree inflation' means that more students must spend more years in school – during which time their parents, instead of saving to fund their own retirement, must struggle to support their children in school. Rising health care costs continue to press on family budgets. As employers shift insurance costs onto the workforce, and as more gig workers and self-employed people buy insurance in the individual markets, Americans often have a harder time setting money aside for old age.

250 years of American history tells us that the federal government cannot and will not remain indifferent to the difficulties of the American middle class. But in both agrarian and industrial America, the government found ways to give an assist to hard working Americans seeking to build stable and prosperous lives, rather than providing handouts and creating dependencies. Providing a policy framework so that young people could clear the land and start a farm is very different from creating a lifetime income entitlement; supporting the development of a financial system and transportation network so that young families could buy their own homes is very different from offering each citizen a housing voucher.

The question for retirement policymakers in this time of transition isn't, or shouldn't be, how to give Americans a retirement that they can't afford. It is how to set up a system that makes it possible for hard working Americans to build the kind of future they want through their own efforts.

A New Vision for Retirement

Today, we are caught between an old system that is getting less effective and a new one that is still developing. This is not, of course, just true for the retirement system; it is true of the economy and society at large. But the retirement crisis is rapidly becoming one of the most serious and damaging consequences of the decay of American social order, and the outdated

assumptions on which the retirement system relies make matters worse. To put it simply: Our three-legged retirement system—public savings (i.e. Social Security), employer-provided retirement plans (e.g. pensions), and private savings and investments—is failing Americans.

It is important to remember that Social Security was never intended to serve as the only source of retirement income for older Americans. Social Security payments were to be supplemented by employer pensions and from individual savings and investments. While Social Security faces some financial challenges, the real problem we see today is that the other two legs of the system are in much worse shape. Increasing numbers of American workers face a future in which Social Security is their only significant source of income in retirement; this places a burden on Social Security, and on the federal treasury, that will be difficult to bear.

In the Blue Model era, the idea was that for more and more workers, employer-provided pensions would supplement Social Security. From the 1930s to the 1960s, the percentage of workers covered by employer-provided pensions tied to length of service tended to rise. This system fit the needs of a workforce that looked to stable, long-term employment from big business and stable non-profit employers like hospitals and state and local governments. But as the economy began to change, the private pension system came under increased stress. The percentage of workers covered by employer plans began to decline, and the plans themselves tended to become less generous and less secure.

At the same time, the third leg of the stool, personal savings and investments, is also under stress. Stagnating wages and the rising costs of raising children make it hard for families to save. As Americans delay starting families and raising children until later in life, parents are older when their children start college, and there are fewer 'empty-nest' years in which parents, free at last from the financial responsibility of raising their children, are able to focus on funding their own retirements.

Policymakers have, of course, been aware of these problems, and the last few decades have seen a number of initiatives, like the rise of 401(k) programs and the IRA system, to strengthen private pensions and personal savings. Thanks to these programs, a significant number of Americans have more assets for retirement than would otherwise be the case. But those programs have not lived up to the hopes that were placed in them. Only 58 percent of workers today, for example, have access to employer-based retirement plans. Of that 58 percent, fewer than half participate in these plans. At the same time, only 10 percent of workers contribute to private savings plans like IRAs, which were meant to help augment employer-provided retirement plans and Social Security.

As a result, we now face a retirement problem that is both serious and complex. More and more Americans are approaching retirement age without having the savings needed for the kind of retirement they want. Moreover, the millennial generation is currently set on a dangerous course that would make this generation even less well prepared for retirement than their parents and grandparents.

Clearly, our programs for employer-based retirement systems and for encouraging private savings have not accomplished what we hoped they would do. We must think more deeply and

act more decisively to create a system that will work in the new economy taking shape around us. The paradigm is shifting and we must shift with it. Just as policy made at the end of the 19th century could not fully account for the needs of the 20th century economy, our new policy model will have to adapt to the profound changes we now face.

While these failures owe something to larger social challenges (hard pressed families are less likely to set money aside for future needs even if such savings are tax-advantaged), there are some ways in which our retirement programs don't align well with the emerging new economy. In particular, the link between the employer and the individual was at the center of Blue Model era social policy. Firms were expected to provide defined benefit pension plans and promote personal savings, even as firms were expected to handle health care, tax collection, and a variety of other social missions.

With the end of lifetime employment and the shift to a job hopping and gig economy—to say nothing of the decreased stability of many larger firms in an era of global competition and rapid technological change—the employer is losing the capacity to act as the intermediary between the individual worker and government, while simultaneously being the locus for government mandates, tax collection, and social policy. For retirement policy especially, the focus needs to be on the individual rather than the employer. Employees will have many employers over the course of a career and, often, many income streams at the same time. The same person may simultaneously be a full-time employee in one job, a part timer in another, while moonlighting as an Uber driver, renting out a spare bedroom to travelers, or selling goods on eBay. Such a worker still needs to think about retirement, and still has taxes to pay, but there is no single employer who plays a role in this person's life comparable to that of, say, General Motors in the heyday of the old industrial system.

Small businesses and the self-employed are particularly poorly served by the current system. These businesses and workers often do not have the time or resources needed to scour the marketplace to find the savings plans best suited to their needs. Nor do employers have the capacity or resources for the complex and often expensive work needed to comply with various government mandates about how retirement plans work. This has created a perverse economic reality, in which saving for retirement has become a perceived benefit of working for a large corporation that is less attainable for small businesses and the independently employed.

At the same time, we need to understand that the retirement crisis is part of a larger problem of savings. Young workers may not be focused on retirement savings because more urgent needs preoccupy them: student loan repayment, savings for a down payment, health care costs, and so forth. We cannot look at retirement savings in isolation from the other economic challenges facing Americans today.

What I propose below is intended to stimulate new thought on the committee and elsewhere as a new generation of Americans rethinks the foundations of our social contract and economic system. After looking at what a new approach to retirement and related issues might look like, I also offer some suggestions about how we can help members of the 'bridge generations,' people caught up in the transition from the old system to a new one, cope with the challenge of retirement given the financial issues they face.

There are, I believe, two basic things we need to do: first, to begin shifting the tax collection onus and the retirement savings apparatus from employers to private-sector financial institutions. At the same time, we need to blend retirement savings with other forms of savings, so that Americans have multiple, clear-cut avenues toward wealth accumulation in the information era. The creation of a flexible and multifaceted retirement savings system that better aligns with our current and near-term economic conditions and can adapt to the unknown economic conditions of the future will be critical to the 21st century success of the United States.

One way to move toward this goal would be to offer every American citizen and green card holder the ability to open an account known as an “American Mobility Account” (AMA).[3] These ‘one-stop-shop’ accounts would be managed and administered with a financial institution, in which employers or independent workers would deposit gross, pre-tax income. Financial institutions would collect and withhold the variety of different taxes that businesses and contractors are currently required to withhold, thereby shifting the tax collection onus from employers and the self-employed to third-party financial institutions. In addition to managing tax collection and withholding, financial institutions would be able to provide a variety of government-regulated and tax-advantaged financial options within AMAs that promote retirement savings and human capital formation.

With the introduction of AMAs, our tax regime would be better able to accommodate the increasing amount of gig work and job-hopping that I believe will take place in the future. Since all earned income would be deposited into one AMA, an individual could earn income from a variety of different employers, and have a streamlined accounting process. For example, instead of multiple employers filing a collection of W-2 and 1099 forms on behalf of an employee working several gigs, the financial institution would be responsible for compiling all streams of earned income and filing a single reporting form on behalf of the worker.

This system would benefit employers, workers, and government. On the employer end, AMAs would largely shift the accounting and compliance burdens from employers to financial institutions: an important change that would be particularly beneficial for small businesses, the self-employed, and startups. Additionally, AMAs would help workers comply with tax laws and simplify the task of tax preparation while ensuring that they receive all benefits and credits to which they are entitled. Finally, federal, state, and local governments would benefit from the increased transparency and accountability that AMAs would provide them. As part time work and multiple sources of income proliferate (e.g. combined income from Uber driving, eBay sales, Airbnb rentals, etc.), tax collection will become more difficult and less fair without reforms along these lines.

The ability to better accommodate self-employed workers who may play a defining role in the 21st century innovation economy is another benefit of an AMA-centered system. In many ways, our current retirement system hinders self-employment since self-employed workers have to pay

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[3] “American Mobility Account” and the other, subsequent account names are merely descriptive placeholders. Ideally, these programs would be swept into a simpler package, as the proliferation of programs with complicated names, rules, and eligibility requirements itself becomes a disincentive for individuals to participate.

the regressive Self-Employment Tax of 15.3%, which covers both the employee- and employer-end of the payroll taxes levied against traditional businesses and their employees. While this high tax rate discourages many individuals from pursuing self-employment opportunities, it incentivizes others to avoid taxes altogether. Making AMAs cheap and easy to understand for the self-employed population, enabling the holders of these accounts to benefit from various tax savings and other programs, and increasing penalties for those who pay self-employed individuals outside of the financial system will improve tax collection and reduce monitoring and enforcement costs for the government. (Such accounts will also make it easier for the self-employed and gig workers to demonstrate their creditworthiness by documenting their income, an important consideration for promoting home ownership).

Additionally, to promote retirement savings, a Supplemental Retirement Account (SRA) would be embedded within an AMA. A certain percentage of an AMA-holder's monthly income would be deposited automatically into the SRA. The deposited income could only go toward saving for retirement, with all SRA holdings initially defaulted into a Roth IRA savings plan. AMA-holders would be able to opt out of their monthly SRA deposits, change to a different retirement savings plan with different tax preferences (e.g. a traditional IRA), or further diversify their SRA holdings into several different savings plans.

An SRA would solve the issue of workers lacking access to employer-supported retirement plans. Moreover, employers could be given tax incentives to encourage contributing toward employee SRAs, thereby addressing some of the major issues with current individual retirement savings accounts. Further, SRAs would reduce costs for employers since they will no longer need to maintain retirement plans of their own, thereby leveling the competitive playing field for small businesses and startups. Means-tested government programs to promote retirement savings for low-income workers could also be more effectively and transparently administered through the use of these accounts.

Finally, AMAs would promote human capital formation to augment the financial security provided by retirement savings. For example, much like an SRA, a worker could choose to deposit a certain percentage of his or her paycheck into an embedded Human Capital Account (HCA). In turn, individuals could spend HCA monies on certain items deemed important to enhancing individual financial security (e.g. job training, professional licensing, college education, etc.) in a tax-free or tax-preferred fashion up to a lifetime maximum limit.

The formation of human capital will be vital to growing wealth in the future. Giving Americans the opportunity to use savings to take the future version of today's coding class, for example, will be imperative to both their success and to the success of the nation, and is in line with past social policies like the creation of land grant colleges during the Green Model years. Following the example of the very successful Singaporean Central Provident Fund, the accounts can also contribute to wealth creation. Through its public social security scheme, which allows Singaporeans to finance the purchase of homes with retirement savings, the Singaporean government has increased home ownership to 90 percent. A simple homeownership savings account option would encourage financially sustainable homeownership and wealth accumulation in the United States. During the housing bubble, well-intentioned lawmakers and officials tried to promote better access to home ownership by relaxing the criteria needed to

qualify for a mortgage. It would be much better policy to encourage home ownership by helping more people to qualify legitimately under existing, prudential rules.

In sum, the introduction of AMAs would better fit the current and future direction of our 21st century economy. The transition would not happen overnight, and a variety of regulatory mechanisms and changes would need to be put into place to make sure that this plan would benefit all Americans in a fair and transparent way. Finally, there would need to be incentives to encourage the adoption of AMAs among employers, workers, and financial institutions, as an outright mandate would be too disruptive in the near-term.

Reducing the Costs of Retirement

While the introduction of AMAs would help transition the United States from an outdated, employer-based system and increase saving for retirement, the reform is primarily geared toward younger and future generations of workers. In order to enhance retirement security for Americans, policymakers must enact reforms that help older generations of workers successfully retire during the transition.

On the front end, we should allow workers later in their careers to accelerate their savings. It is human nature to postpone thinking about retirement, and, in any case, younger people often have more immediate needs, whether this involves paying off student loans, buying a home, or caring for their children. Older workers often have more discretionary income, fewer calls on their resources, and a greater focus on the need to save for retirement. Government policy should aim at creating more tax deferred savings opportunities for these people. It is good social policy to encourage savings, and greater savings equate to retirees being better prepared to handle retirement costs. Current policy allows older workers to accelerate their contributions to retirement plans; those allowances should increase.

Many seniors today are not only physically capable of working longer, but they also want to work longer as they find work fulfilling and intellectually stimulating. Advances in medicine and in technology, such as driverless cars and enhanced telework capabilities, will make it easier for older generations of Americans to continue to work well into old age. To encourage more capable seniors to work longer, the government should eliminate the Social Security Payroll Tax for seniors and delay the age-requirement (generally 70 ½ years old) that triggers mandatory withdrawals from retirement savings plans. To increase the attractiveness of tax deferred savings plans to lower income Americans—those who have the hardest time saving for retirement and most need the financial security that those savings provide—income from tax-deferred investments below a certain (low) threshold should also be tax free.

Government could also enhance the menu of retirement options available to seniors who cannot or do not want to work longer. Promoting retirement abroad, where income that can barely cover a trailer home in Florida can equate to a luxury condominium in Costa Rica or Mexico, is an easy way to give seniors comfortable retirements. Today, Medicare does not cover health care received abroad, except for in an extraordinarily limited set of circumstances. This lack of health care coverage is a major barrier to retiring abroad. Though health care and prescription drugs can be far cheaper in Latin America and the Caribbean (LAC), serious illness is a financial issue

anywhere, and, as younger and active retirees become older and more frail, they often have to return to the United States to obtain better services, which hinders permanent and/or semi-permanent retirement abroad.

Helping seniors move to countries where costs are low could reduce Medicare costs and give seniors more choices during the transition from the Blue Model retirement system to a new retirement system. To that end, the federal government should smooth the path for seniors looking to retire abroad. Congress should pass legislation to allow Medicare to cover eligible seniors using certified, inspected, and qualified providers. Medicare payments should be lower to these providers, reflecting different cost levels.

Conclusion

Much as they did during the transition from the Green era to the Blue era, Americans find themselves at an important, historical inflection point. Like the Industrial Revolution, the Information Revolution has disrupted the economy in unpredictable, complex, and far-reaching ways. Not all of the changes to come can be predicted or understood today, but there is an immediate need to craft policies to account for those changes we can discern before the consequences of the failures of the current system become unbearable. Adopting a system of retirement policies that shifts the burden of taxation and collection from employers to financial institutions while protecting the retirement security of those caught in the gap would do much to promote the emergence of a dynamic new form of the classic American Dream in the 21st century.