

Policy Alternatives for Social Security
(Dluhy, PLS 202)

Assumption about problem:

There will be a short fall to the SS Trust Fund some time after 2011 due to the retirement of “baby boomers” in large numbers. The most talked about options are listed below.

1. Double the current SS tax on wages (would go from 6% to an estimated 13%).
2. Raise the retirement age for everyone to 70.
3. Make SS a “means tested program”—this would mean that people with other retirement income or pensions would receive less or no SS when they retire and those people that only had SS as a source of income would become the main beneficiaries of the program. This could be done through the federal income tax system or through strict “means testing”.
4. Reduce cost of living allowances which are currently automatically indexed to inflation. For example, one quarter a year the COLA would be waived so that over time recipients would only receive 75% of inflation adjustments and their incomes would slowly slip relative to others in the society.
5. Use general fund surplus to keep the Trust Fund solvent. As we accrue a surplus, a certain percentage would automatically go to shoring up the Trust Fund.
6. Partial Privatization. For example, one third of the current SS taxes (i.e., 2% of gross income) would be available to recipients for their own investment and these investments would be able to be transferred to their spouse or other family members. On the pay out side, SS payments would be reduced by one third to compensate for the private investment. Some proposals ask for even higher %’s.
7. Privatization on top of SS taxes. People would continue to pay the 6% in SS taxes but they would be allowed to shelter an additional 3% in a private investment account.
8. Change replacement ratios which really means reducing benefits assuming more and more people will take care of their own retirement needs.

Technological Innovations and the Global Marketplace
(Dluhy, PLS 202)

Assumptions:

There are technological innovations which are new to the field. This is creative and driven by science. However there is also the diffusion of innovation or how rapidly the innovation is spread in the society. Thus, some cultures are better at developing the inventions while other cultures are better at implementation and utilization of the innovation. Americans are largely responsible for many innovations in the computer field but other countries are much better at integrating computers into their society and economy.

For example, Japan has not been known historically as an innovator but it has been known as an implementer. Other countries known for developing new innovations historically are: France, Italy, Scandinavian countries, Scotland, and U.S. Countries known for their utilization of innovations: Germany, Japan, England, and Hong Kong (now part of China) but under British rule for a century.

Countries that master science and its use are destined to be the most powerful countries in the world. Research and development is the most essential component of a modern and prosperous society. Look at the small country of Switzerland, no land, few natural resources, small population but they have always been leaps and bounds ahead of every one else in banking, clock making, fine crystal, precision machinery, etc.

Where do the Innovations come from?

How about yellow stick ems, VCRs, Xerox machines, Chem-Lawn, 200,000 mile auto engine, CDs ? Answer in class.

Some new innovations new to the market—Digital Camera, On line courses, newspapers and magazines on line, retail and the internet, GPS (geographic mapping systems), home health testing kits (allergies, pregnancy, blood pressure, etc.)

Patterns of innovation and its diffusion:

Some states, some governments, some organizations are “pioneers” in that they are the most likely to adopt new innovations.

In the U.S., the following states are usually the most innovative: NY, Mass., Wisconsin, Michigan, Minnesota, North Carolina, Georgia, California, Colorado, Oregon, and Washington.

The Information Age and Implications for future:

Alvin and Heidi Toffler, *Creating A New Civilization* (Authors of *Future Shock*)

First wave of civilization—was mastery of the agricultural revolution. Who gained global dominance?? Western Europe and U.S., not Japan, USSR, China, India, etc.

Second wave of civilization—mass production and industrial society. Who gained global dominance? Japan and Germany tried to become dominant but U.S. in the end out-produced both countries during WWII. Then U.S. out-produced USSR in both agriculture and mass production. The assembly line was the thing. Successful countries mass produced all types of products efficiently.

Third wave of civilization---sells information and innovation. Countries that have brain based economies, customized products or new cutting edge manufacturing, a non-mass production orientation, heavy use of internet and wireless communication, etc. In a sense third wave societies are de-massified. **It becomes a borderless world. Heavy investment in manufacturing, machinery, and physical plants becomes obsolete.** *To be competitive, businesses needs to be adaptive, ready to change when technology changes, and have the ability to use the internet and wireless communication to market their products. Lean, mean, and smart is the key in the third wave. Mind work becomes more important than muscle work. The factory model is out. Third wave countries avoid over-centralization and take advantage of outsourcing.*