



National Center for Food & Agricultural Policy

Social Security Policy and Rural Communities, with Comparisons to Urban Communities

A Report of the National Center for Food & Agricultural Policy
by Karl G. King, Glenn L. Nelson, and Jill Long Thompson

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**Social Security Policy and Rural Communities,
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by Karl G. King, Glenn L. Nelson and Jill Long Thompson³**

Modifications of Social Security to increase its solvency could disproportionately hurt rural communities, could disproportionately hurt urban communities, or could be neutral with regard to communities on the rural-urban spectrum. This report estimates the consequences for rural communities, and their urban counterparts, of three policy options: i) reduce Social Security benefits, ii) raise the Social Security retirement age, and iii) increase the share of earnings subject to the Social Security tax.

The report includes eight sections:

- Note on the benefits of a decrease in the federal budget deficit
- Rural context, which provides insights to the ensuing analytic results
- Policy option of reducing Social Security benefits
- Policy option of raising the retirement age
- Policy option of increasing the share of earnings subject to the Social Security tax
- An example of a synthesis that is a geographically neutral policy
- Guide to additional information
- Appendix summarizing the analytic methods used

Note On The Benefits Of A Decrease In The Federal Budget Deficit

Most economists contend the U.S. economy is on an unsustainable path. Foreigners are accumulating additional U.S. financial obligations at a rate that exceeds the growth in our national ability to service the obligations. Many people contend lower federal budget deficits would be helpful in returning the U.S. economy to a sustainable path. A reduction of outlays relative to revenues for the Social Security program is one of many options for reducing prospective federal budget deficits.

¹ This report is available on the web site of the National Center for Food and Agricultural Policy at www.ncfap.org/SocialSecurity.html and then click on the link below “Full Report”.

² The National Center and the authors are grateful to the Howard G. Buffett Foundation, and most specifically to Mr. Howard G. Buffett, for his personal interest and support of this work.

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Regardless of federal policy choices, private sector markets for goods, services, and financial instruments will eventually adjust so as to force greater domestic saving and decrease the growth rate of domestic consumption. The mechanisms are complex and fraught with uncertainty due to events in foreign countries that rebound to affect the U.S. The mechanisms include such things as a drop in the foreign exchange value of the dollar, increases in U.S. exports, and decreases in the growth of U.S. imports.

Adjusting federal fiscal policy would be a prudent step that would likely lessen the severity of the coming adjustment process. Reduced federal budget deficits would be equivalent to less dis-saving by the federal government. A positive contribution to greater national saving by the federal government would reduce the scale of the problem to be digested by private markets.

This study analyzes which communities would bear the cost associated with using modifications to Social Security as a contribution to a more sustainable national economy.

Context

Rural people are disproportionately elderly.⁴ As of 2005 one of seven micropolitan residents was 65 or older, and nearly one of six residents of the rural countryside was elderly—as shown in Table 1. In metropolitan areas a smaller proportion, one of 8.5, of residents was elderly. A higher proportion of rural than urban residents is eligible for Social Security.

The rural communities with the largest proportion of elderly people (see Table 1 and Figure 1) typically fall into one of two categories. In one category are communities where middle-aged residents have aged while younger residents have migrated to other locations, e.g., the rural countryside of Maine, Appalachia, the western Corn Belt, and the Great Plains. In the other category, the countryside communities are destinations for elderly migrants, e.g., New Hampshire; Florida; northern portions of Michigan, Minnesota and Wisconsin; and retirement communities in the Southwest and Northwest.

The communities with the smallest proportion of elderly people tend to be urban places that attract young in-migrants, thereby lowering the relative proportion of the elderly population. Some prominent examples as of 2005 were all areas of Alaska and the urban communities of Colorado, Georgia and Texas. Urban communities in Utah had a small proportion of elderly because of a high birth rate as well as because of young in-migrants.

Rural residents have lower incomes per capita than urban dwellers, as shown in Table 2. As of 2005 per capita income in urban communities averaged 34 percent greater than that of micropolitan residents and 46 percent greater than the per capita income of those in the rural countryside.

⁴ “Rural” and “nonmetropolitan” as well as “urban” and “metropolitan” are used interchangeably in this report. “Rural countryside” includes all nonmetropolitan counties not included in micropolitan.

Table 1: Total Population And Population Age 65 And Over In 2005, By State

State	2005 Total Population ^a (thousands)				2005 Population Age 65 And Over ^b (thousands)				2005 Percentage Of Population Age 65 And Over ^c			
	Metro Counties		Nonmetro Counties Micro Countyside		Metro Counties		Nonmetro Counties Micro Countyside		Metro Counties		Nonmetro Counties Micro Countyside	
	Total	Nonmetro Counties	Total	Nonmetro Counties	Total	Nonmetro Counties	Total	Nonmetro Counties	Total	Nonmetro Counties	Total	Nonmetro Counties
Alabama	3,229.5	836.4	491.9	4,557.8	404.1	122.0	75.8	601.9	12.51	14.58	15.41	13.21
Alaska	438.6	57.3	167.8	663.7	27.3	4.3	12.5	44.1	6.22	7.57	7.46	6.65
Arizona	5,313.9	447.6	177.8	5,939.3	668.8	81.9	19.2	769.8	12.59	18.29	10.78	12.96
Arkansas	1,625.7	565.4	588.1	2,779.2	200.0	85.6	99.3	384.9	12.30	15.14	16.88	13.85
California	35,290.6	582.3	259.2	36,132.1	3,726.1	86.9	42.7	3,855.7	10.56	14.92	16.47	10.67
Colorado	4,010.0	261.6	393.6	4,665.2	371.8	27.6	50.8	450.2	9.27	10.56	12.90	9.65
Connecticut	3,204.4	305.9	n.a.	3,510.3	428.4	40.9	n.a.	469.3	13.37	13.37	n.a.	13.37
Delaware	667.0	176.5	n.a.	843.5	76.7	34.4	n.a.	111.0	11.50	19.46	n.a.	13.16
Dist. Of Columbia	550.5	n.a.	n.a.	550.5	64.9	n.a.	n.a.	64.9	11.79	n.a.	n.a.	11.79
Florida	16,670.1	727.5	392.3	17,789.9	2,812.2	165.6	60.7	3,038.5	16.87	22.77	15.48	17.08
Georgia	7,328.3	925.8	818.4	9,072.6	643.0	110.6	113.6	867.2	8.77	11.95	13.89	9.56
Hawaii	905.3	369.9	n.a.	1,275.2	126.0	48.0	n.a.	174.1	13.92	12.99	n.a.	13.65
Idaho	921.5	309.4	198.2	1,429.1	99.4	34.6	30.3	164.3	10.79	11.18	15.30	11.50
Illinois	11,076.1	1,070.9	616.4	12,763.4	1,232.0	168.1	105.3	1,505.5	11.12	15.70	17.09	11.80
Indiana	4,871.4	1,032.7	367.9	6,272.0	571.7	142.4	52.4	766.5	11.74	13.79	14.24	12.22
Iowa	1,625.4	522.0	819.0	2,966.3	197.3	83.9	150.1	431.3	12.14	16.07	18.33	14.54
Kansas	1,728.9	596.3	419.4	2,744.7	193.0	77.9	80.0	350.9	11.17	13.07	19.06	12.79
Kentucky	2,367.0	788.5	1,017.9	4,173.4	273.7	108.4	138.2	520.3	11.56	13.75	13.58	12.47
Louisiana	3,398.0	818.2	307.4	4,523.6	382.1	101.3	43.2	526.7	11.25	12.38	14.06	11.64
Maine	769.3	162.2	390.0	1,321.5	105.0	24.5	63.9	193.5	13.65	15.13	16.39	14.64
Maryland	5,306.4	212.4	81.6	5,600.4	595.9	32.3	12.5	640.7	11.23	15.21	15.36	11.44
Massachusetts	6,373.0	n.a.	25.8	6,398.7	837.5	n.a.	3.3	840.8	13.14	n.a.	12.81	13.14
Michigan	8,239.6	1,083.4	797.8	10,120.9	952.2	147.6	139.4	1,239.3	11.56	13.63	17.48	12.25
Minnesota	3,720.8	752.8	659.2	5,132.8	387.9	114.3	117.2	619.5	10.43	15.19	17.79	12.07
Mississippi	1,276.6	996.0	648.5	2,921.1	139.8	125.1	89.6	354.5	10.95	12.56	13.82	12.14
Missouri	4,236.3	764.5	799.5	5,800.3	519.3	109.4	140.6	769.3	12.26	14.31	17.59	13.26
Montana	326.2	280.3	329.1	935.7	42.3	34.0	53.0	129.3	12.96	12.13	16.11	13.82
Nebraska	1,000.3	401.3	357.2	1,758.8	103.1	59.2	68.6	230.9	10.30	14.75	19.22	13.13
Nevada	2,160.6	159.0	95.2	2,414.8	244.0	23.9	12.9	280.8	11.30	15.02	13.53	11.63
New Hampshire	815.4	447.1	47.4	1,309.9	88.8	62.6	8.9	160.3	10.89	13.99	18.85	12.24
New Jersey	8,717.9	n.a.	n.a.	8,717.9	1,123.2	n.a.	1,123.2	12.88	n.a.	n.a.	12.88	
New Mexico	1,185.0	643.7	99.6	1,928.4	137.0	82.1	18.9	237.9	11.56	12.75	18.93	12.34
New York	17,687.7	1,133.5	433.4	19,254.6	2,250.9	161.5	65.8	2,478.2	12.73	14.25	15.18	12.87
North Carolina	6,008.0	1,957.4	717.9	8,683.2	662.5	274.5	112.9	1,049.9	11.03	14.02	15.73	12.09

Table 1: Total Population And Population Age 65 And Over In 2005, By State

State	2005 Total Population ^a (thousands)				2005 Population Age 65 And Over ^b (thousands)				2005 Percentage Of Population Age 65 And Over ^c			
	Metro Counties	Nonmetro Counties		Total	Metro Counties	Nonmetro Counties		Total	Metro Counties	Nonmetro Counties		Total
		Micro	Countryside			Micro	Countryside			Micro	Countryside	
North Dakota	296.3	144.0	196.3	636.7	32.5	22.2	38.8	93.5	10.97	15.44	19.75	14.69
Ohio	9,230.1	1,721.4	512.6	11,464.0	1,200.3	238.0	70.0	1,508.3	13.00	13.83	13.65	13.16
Oklahoma	2,247.4	739.8	560.8	3,547.9	263.0	108.8	93.5	465.4	11.70	14.71	16.68	13.12
Oregon	2,807.5	692.4	141.2	3,641.1	323.6	115.1	25.8	464.5	11.53	6.63	18.27	12.76
Pennsylvania	10,440.2	1,605.5	383.9	12,429.6	1,562.9	260.3	64.4	1,887.6	14.97	16.22	16.77	15.19
Rhode Island	1,076.2	n.a.	n.a.	1,076.2	148.1	n.a.	n.a.	148.1	13.76	n.a.	n.a.	13.76
South Carolina	3,215.1	764.5	275.4	4,255.1	386.1	110.9	36.4	533.4	12.01	14.51	13.23	12.54
South Dakota	339.6	213.9	222.5	775.9	39.6	31.4	38.7	109.6	11.65	14.67	17.39	14.13
Tennessee	4,336.3	1,002.7	624.0	5,963.0	503.9	150.1	91.7	745.7	11.62	14.97	14.70	12.51
Texas	19,875.0	1,537.2	1,447.8	22,860.0	1,785.9	209.4	249.1	2,244.4	8.99	13.62	17.20	9.82
Utah	2,191.1	150.2	128.3	2,469.6	180.9	15.2	15.5	211.6	8.26	10.12	12.04	8.57
Vermont	205.2	254.1	163.7	623.1	21.7	38.5	22.3	82.5	10.59	15.15	13.60	13.24
Virginia	6,469.4	230.6	867.7	7,567.6	685.0	37.1	143.1	865.1	10.59	16.07	16.49	11.43
Washington	5,500.4	562.4	224.9	6,287.8	589.0	83.6	38.5	711.1	10.71	14.87	17.12	11.31
West Virginia	1,000.4	362.0	454.5	1,816.9	146.6	58.2	72.6	277.5	14.66	16.09	15.97	15.27
Wisconsin	4,002.1	755.0	779.0	5,536.2	477.5	107.6	134.1	719.3	11.93	14.26	17.22	12.99
Wyoming	155.0	209.1	145.2	509.3	19.0	20.8	22.8	62.6	12.26	9.97	15.71	12.30
Totals	246,432.7	30,332.6	19,645.3	296,410.5	29,053.6	4,382.8	3,139.0	36,575.4	11.79	14.45	15.98	12.34

^aSource: U.S. Census Bureau, 2005 Population Estimates Program. Retrieved on March 7, 2007 from http://factfinder.census.gov/servlet/DCGeoSelectServlet?ds_name=PEP_2005_EST&ts=191493452062

^bComputed by the authors

^cSource: Woods & Poole. (2005) Complete U.S. Database on CD-ROM. 1794 Columbia Road, NW, Suite 4, Washington, DC 20009-2808

Figure 1: Percentage Of Population Age 65 And Over In 2005

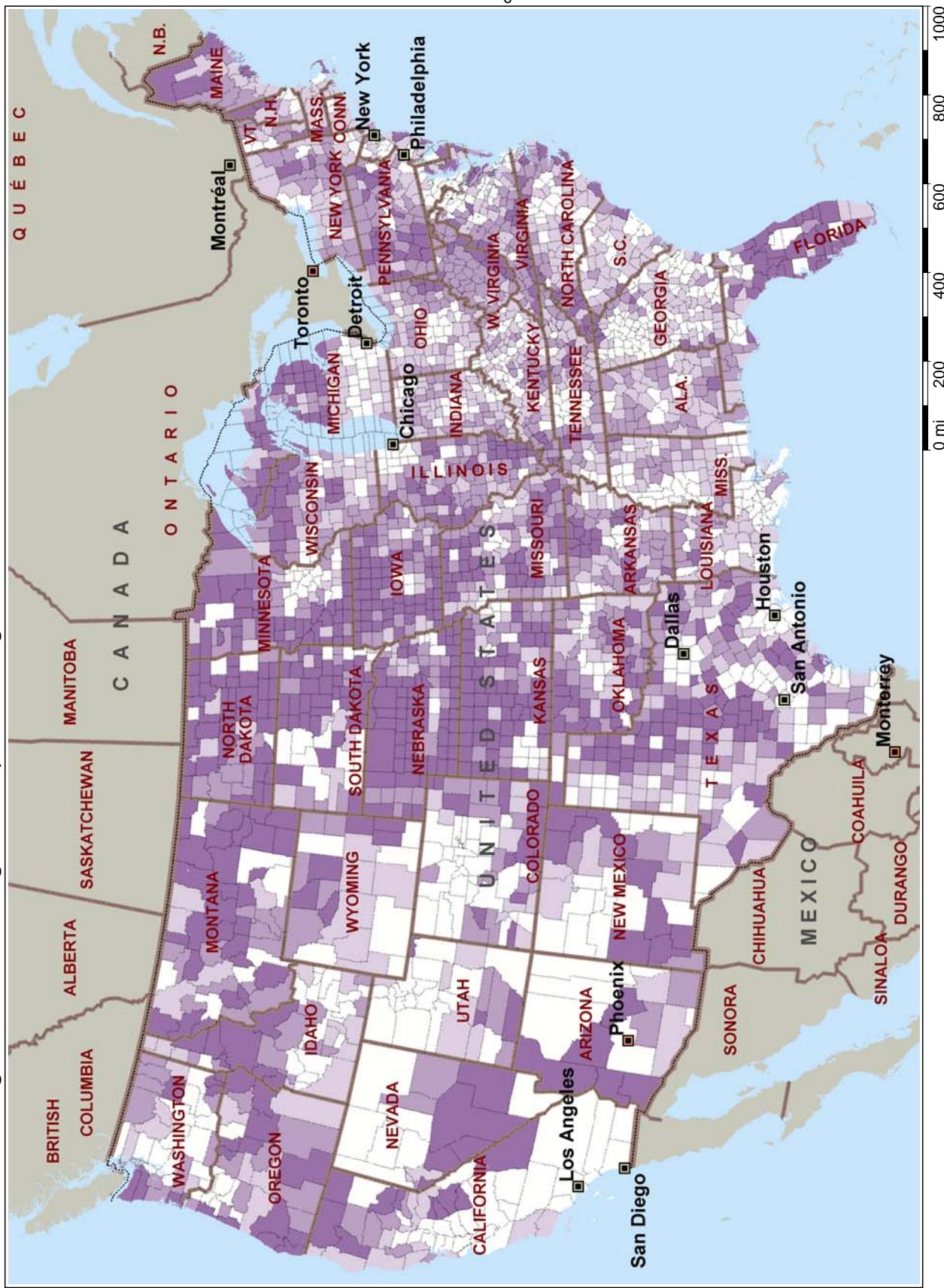


Figure 1:
Percentage Of
Population Age
65 And Over In
2005

17.22 to 34.42
14.45 to 17.21
12.20 to 14.44
1.59 to 12.19

Table 2: Population, Personal Income, And Per Capita Personal Income In 2005, By State

State	2005 Total Population ^a (thousands)			2005 Personal Income ^d (millions of 2005 dollars)			2005 Per Capita Personal Income ^b (2005 dollars)		
	Metro Counties		Nonmetro Counties	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total
	Metro Counties	Nonmetro Counties	Micro Countyside	Total	Micro Countyside	Total	Metro Counties	Micro Countyside	Total
Alabama	3,229.5	836.4	491.9	4,557.8	97,354	21,698	11,161	130,212	30,145
Alaska	438.6	57.3	167.8	663.7	16,708	2,301	5,416	24,425	38,092
Arizona	5,313.9	447.6	177.8	5,939.3	158,224	10,053	3,246	171,523	29,775
Arkansas	1,625.7	565.4	588.1	2,779.2	46,864	13,877	13,078	73,818	28,828
California	35,290.6	582.3	259.2	36,132.1	1,308,983	16,635	7,158	1,332,776	37,092
Colorado	4,010.0	261.6	393.6	4,665.2	159,601	8,388	11,917	179,906	39,801
Connecticut	3,204.4	305.9	n.a.	3,510.3	154,536	11,555	n.a.	166,091	48,226
Delaware	667.0	176.5	n.a.	843.5	24,934	4,852	n.a.	29,786	37,383
Dist. Of Columbia	550.5	n.a.	n.a.	550.5	29,743	n.a.	n.a.	29,743	54,027
Florida	16,670.1	727.5	392.3	17,789.9	558,520	17,823	7,999	584,342	33,504
Georgia	7,328.3	925.8	818.4	9,072.6	244,345	22,569	19,231	286,145	33,343
Hawaii	905.3	369.9	n.a.	1,275.2	32,200	10,394	n.a.	42,594	35,570
Idaho	921.5	309.4	198.2	1,429.1	27,073	7,450	5,460	39,983	29,379
Illinois	11,076.1	1,070.9	616.4	12,763.4	429,062	29,904	15,907	474,873	38,738
Indiana	4,871.4	1,032.7	367.9	6,272.0	158,828	29,016	9,225	197,069	32,604
Iowa	1,625.4	522.0	819.0	2,966.3	54,351	15,617	23,170	93,137	33,439
Kansas	1,728.9	596.3	419.4	2,744.7	62,184	16,451	11,521	90,156	35,967
Kentucky	2,367.0	788.5	1,017.9	4,173.4	77,434	19,832	22,495	119,761	32,714
Louisiana	3,398.0	818.2	307.4	4,523.6	103,082	19,355	6,469	128,906	30,336
Maine	769.3	162.2	390.0	1,321.5	25,736	4,998	10,638	41,372	33,453
Maryland	5,306.4	212.4	81.6	5,600.4	219,874	7,498	2,361	229,733	41,436
Massachusetts	6,373.0	n.a.	25.8	6,398.7	281,763	n.a.	1,248	283,012	44,212
Michigan	8,239.6	1,083.4	797.8	10,120.9	289,784	29,871	20,016	339,671	35,170
Minnesota	3,720.8	752.8	659.2	5,132.8	152,480	22,387	18,179	193,046	40,980
Mississippi	1,276.6	996.0	648.5	2,921.1	36,061	24,638	13,663	74,362	28,248
Missouri	4,236.3	764.5	799.5	5,800.3	146,697	19,441	18,722	184,860	34,629
Montana	326.2	280.3	329.1	935.7	10,041	8,210	7,922	26,173	30,777
Nebraska	1,000.3	401.3	357.2	1,758.8	36,352	11,424	10,131	57,906	36,340
Nevada	2,160.6	159.0	95.2	2,414.8	73,072	5,306	2,452	80,830	33,821
New Hampshire	815.4	447.1	47.4	1,309.9	32,327	15,315	1,657	49,298	39,646
New Jersey	8,717.9	n.a.	8,717.9	385,968	n.a.	n.a.	385,968	44,273	n.a.
New Mexico	1,185.0	643.7	99.6	1,928.4	35,680	15,311	2,287	53,277	30,109
New York	17,687.7	1,133.5	433.4	19,254.6	733,859	30,140	11,189	775,189	41,490
North Carolina	6,008.0	1,957.4	717.9	8,683.2	196,256	52,718	17,467	266,441	32,666
								26,933	24,331

Table 2: Population, Personal Income, And Per Capita Personal Income In 2005, By State

State	2005 Total Population ^a (thousands)			2005 Personal Income ^d (millions of 2005 dollars)			2005 Per Capita Personal Income ^b (2005 dollars)		
	Metro Counties		Nonmetro Counties	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total
	Metro Counties	Micro Counties	Countrywide	Total	Micro Counties	Countrywide	Total	Metro Counties	Countrywide
North Dakota	296.3	144.0	196.3	636.7	9,525	4,323	5,477	19,325	32,146
Ohio	9,230.1	1,721.4	512.6	11,464.0	318,633	47,094	12,541	378,268	34,521
Oklahoma	2,247.4	739.8	560.8	3,547.9	71,147	18,928	12,762	102,837	31,658
Oregon	2,807.5	692.4	141.2	3,641.1	95,112	18,010	3,826	116,948	33,877
Pennsylvania	10,440.2	1,605.5	383.9	12,429.6	381,033	43,384	10,131	434,548	36,497
Rhode Island	1,076.2	n.a.	1,076.2	37,167	n.a.	n.a.	37,167	34,535	n.a.
South Carolina	3,215.1	764.5	275.4	4,255.1	94,023	20,785	5,982	120,790	29,244
South Dakota	339.6	213.9	222.5	775.9	11,541	6,516	5,724	23,781	33,985
Tennessee	4,336.3	1,002.7	624.0	5,963.0	144,010	26,035	14,041	184,086	33,210
Texas	19,875.0	1,537.2	1,447.8	22,860.0	662,522	37,360	35,749	735,630	33,334
Utah	2,191.1	150.2	128.3	2,469.6	61,906	3,470	2,807	68,183	28,253
Vermont	205.2	254.1	163.7	623.1	7,397	8,381	4,985	20,763	36,042
Virginia	6,469.4	230.6	867.7	7,567.6	250,218	6,228	21,430	277,875	38,677
Washington	5,500.4	562.4	224.9	6,287.8	208,074	15,020	6,217	229,311	37,829
West Virginia	1,000.4	362.0	454.5	1,816.9	28,559	9,632	10,631	48,822	28,548
Wisconsin	4,002.1	755.0	779.0	5,536.2	143,189	22,663	20,908	186,760	35,778
Wyoming	155.0	209.1	145.2	509.3	5,423	7,898	4,405	17,726	34,994
Totals	246,432.7	30,332.6	19,645.3	296,410.5	8,929,453	820,750	488,997	10,239,201	24,891
								36,235	27,058
									34,544

^aSource: U.S. Census Bureau, 2005 Population Estimates Program. Retrieved on March 7, 2007 from http://factfinder.census.gov/servlet/DCGeoSelectServlet?rds_name=PEP_2005_EST&.ts=191493452062

^bComputed by the authors

^cSource: Computed by the authors using data from Bureau of Economic Analysis 2005 National Income and Product Accounts Table retrieved on March 9, 2007 and Woods & Poole. (2005) Complete U.S. Database on CD-ROM. 1794 Columbia Road, NW, Suite 4, Washington, DC 20009-2808

Lower income rural communities are especially likely to be found in the South, in Appalachia, in the Ozark region, in the Rio Grande Valley, and the Southwest (see Table 2 and Figure 2). Higher income urban areas tend to be in the megalopolis extending from Boston down through Washington, D.C. Urban communities in the Denver and Minneapolis-St. Paul metropolitan areas are also prominent among higher per capita income places.

Largely because of the disproportionate numbers of elderly and the lower incomes per person, rural communities are more dependent on Social Security than urban areas (see Table 3). As of 2005 Social Security benefits relative to income were 1.6 times as important in micropolitan communities as compared to urban areas and 1.8 times as important in the rural countryside as in urban communities.

The rural communities whose economies were most dependent on Social Security as of 2005 tended to be destinations for elderly migrants (see Table 3 and Figure 3). Rural communities in Florida; the northern portions of Michigan, Minnesota and Wisconsin; the Ozarks; and the Southwest and Northwest are prominent examples. In addition, many rural communities in areas of high out-migration, for example, in Appalachia and the Great Plains, are heavily dependent on Social Security.

The urban communities whose economies were least dependent on Social Security as of 2005 reflected both elements of the ratio of benefits to income. Some of these communities, such as in Alaska, California, Colorado, Georgia, and Texas, had relatively few elderly people and thus lower Social Security benefits relative to income. Other urban communities, especially those in the megalopolis corridor from Boston to Washington, D.C., had high incomes from sources other than Social Security—leading to Social Security benefits being a relatively small fraction of total income.

Policy Option: Reduce Social Security Benefits

A proportionate reduction of all Social Security benefits would affect the economy of communities in the same proportion as the importance of benefits to income. Table 3 and Figure 3, discussed above, display the relevant estimates. Reiterating points made earlier, as of 2005 Social Security benefits relative to income were 1.6 times as important in micropolitan communities as compared to urban areas and 1.8 times as important in the rural countryside as in urban communities. Rural communities would lose a larger proportion of their economic base than would urban communities. Major regional distinctions were noted in the earlier discussion of Table 3 and Figure 3 and will not be repeated here.

Many people do not like the proportionate option because it lessens the benefits of lower and middle-income beneficiaries by the same proportion as for higher income beneficiaries. The critics prefer reducing benefits only for those whose earnings were sufficiently high to be affected by the top-most of the three ranges for the “replacement factor.” In 2006 the top-most range included those whose Average Indexed Monthly Earnings (AIME) were equal to or greater than \$3,955; this equates to annual earnings of \$47,460 or more.

Figure 2: Per Capita Personal Income In 2005

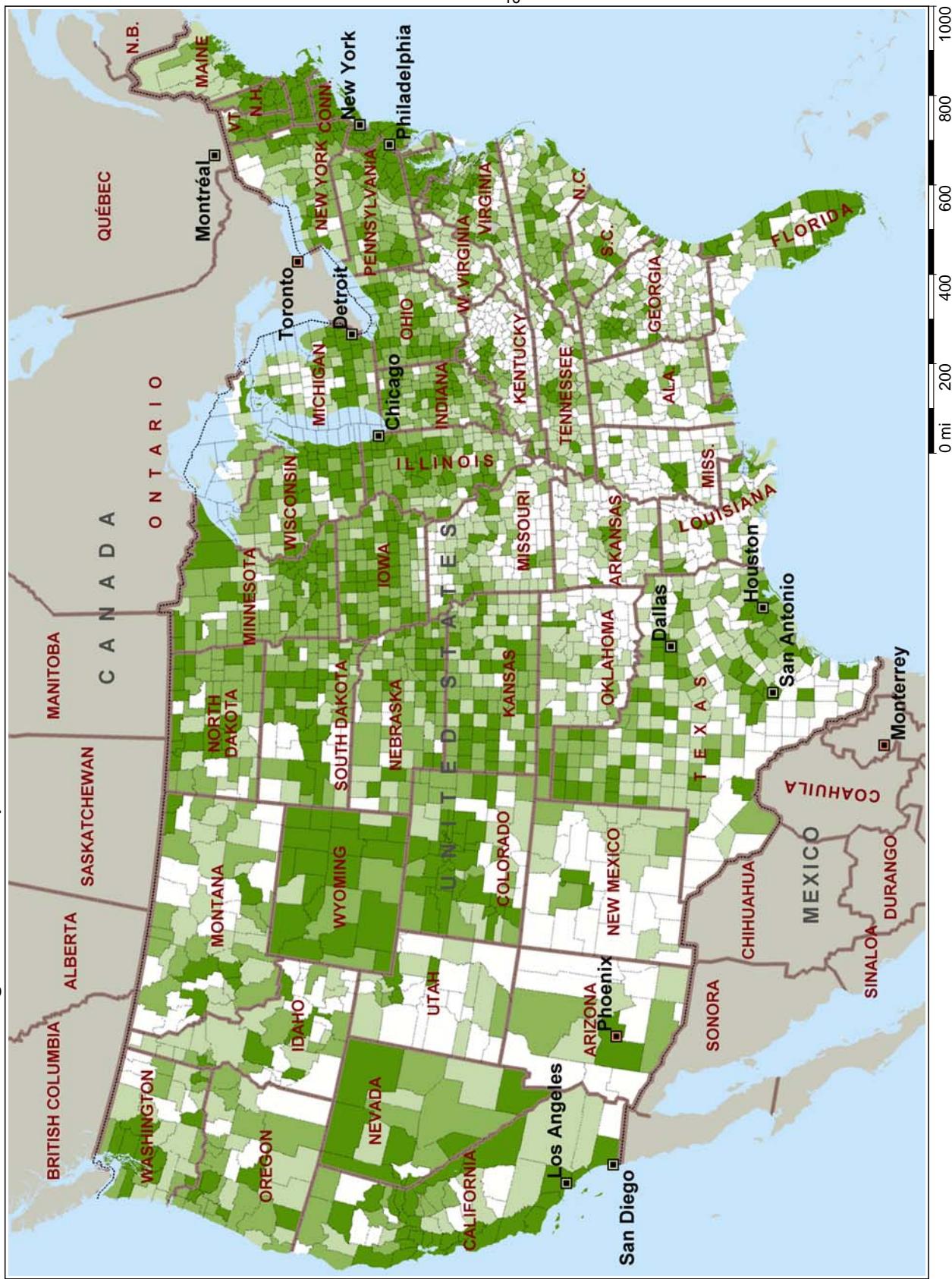


Figure 2: Per Capita Personal Income In
2005

29,870 to 96,000
26,514 to 29,869
23,469 to 26,513
0 to 23,468

Table 3: Personal Income And Social Security Retirement Benefits In 2005, By State

State	2005 Personal Income ^d (millions of 2005 dollars)				Social Security Retirement Benefits ^e (millions of 2005 dollars)				Social Security Retirement Benefits ^f As A Percentage Of Personal Income ^b			
	Metro Counties		Nonmetro Counties Micro Countryside		Metro Counties		Nonmetro Counties Micro Countryside		Metro Counties		Nonmetro Counties Micro Countryside	
	Micro	Countryside	Total	Total	Micro	Countryside	Total	Total	Micro	Countryside	Total	Total
Alabama	97,354	21,698	11,161	130,212	3,875	1,134	670	5,679	3,98	5,22	6,00	4.36
Alaska	16,708	2,301	5,416	24,425	280	44	121	445	1,68	1,93	2,22	1.82
Arizona	158,224	10,053	3,246	171,523	6,459	780	151	7,390	4,03	7,76	4,64	4.31
Arkansas	46,864	13,877	13,078	73,818	1,940	792	873	3,605	4,14	5,71	6,67	4.88
California	1,308,983	16,635	7,158	1,332,776	33,357	852	419	34,628	2,55	5,12	5,86	2.60
Colorado	159,601	8,388	11,917	179,906	3,735	271	464	4,470	2,34	3,23	3,89	2.48
Connecticut	154,536	11,555	n.a.	166,091	4,876	475	n.a.	5,351	3,16	4,11	n.a.	3.22
Delaware	24,934	4,852	n.a.	29,786	867	376	n.a.	1,243	3,48	7,75	n.a.	4.17
Dist. Of Columbia	29,743	n.a.	n.a.	29,743	478	n.a.	n.a.	478	1,61	n.a.	n.a.	1.61
Florida	558,520	17,823	7,999	584,342	25,731	1,638	536	27,906	4,61	9,19	6,71	4.78
Georgia	244,345	22,569	19,231	286,145	6,538	1,038	1,039	8,614	2,68	4,60	5,40	3.01
Hawaii	32,200	10,394	n.a.	42,594	1,224	481	n.a.	1,705	3,80	4,63	n.a.	4.00
Idaho	27,073	7,450	5,460	39,983	1,048	348	305	1,702	3,87	4,68	5,59	4.26
Illinois	429,062	29,904	15,907	474,873	12,697	1,640	988	15,325	2,96	5,48	6,21	3.23
Indiana	158,828	29,016	9,225	197,069	6,426	1,533	543	8,502	4,05	5,28	5,88	4.31
Iowa	54,351	15,617	23,170	93,137	2,149	858	1,375	4,381	3,95	5,49	5,93	4.70
Kansas	62,184	16,451	11,521	90,156	2,122	775	744	3,641	3,41	4,71	6,46	4.04
Kentucky	77,434	19,832	22,495	119,761	2,719	961	1,051	4,731	3,51	4,84	4,67	3.95
Louisiana	103,082	19,355	6,469	128,906	3,091	754	301	4,147	3,00	3,90	4,65	3.22
Maine	25,736	4,998	10,638	41,372	1,009	228	588	1,824	3,92	4,56	5,52	4.41
Maryland	219,874	7,498	2,361	229,733	5,722	339	132	6,193	2,60	4,51	5,59	2.70
Massachusetts	281,763	n.a.	1,248	283,012	8,344	n.a.	40	8,384	2,96	n.a.	3,23	2.96
Michigan	289,784	29,871	20,016	339,671	10,897	1,617	1,521	14,035	3,76	5,41	7,60	4.13
Minnesota	152,480	22,387	18,179	193,046	4,187	1,127	1,039	6,352	2,75	5,03	5,72	3.29
Mississippi	36,061	24,638	13,663	74,362	1,349	1,139	753	3,241	3,74	4,62	5,51	4.36
Missouri	146,697	19,441	18,722	184,860	5,474	1,013	1,251	7,738	3,73	5,21	6,68	4.19
Montana	10,041	8,210	7,922	26,173	4,118	351	482	1,250	4,16	4,27	6,08	4.78
Nebraska	36,352	11,424	10,131	57,906	1,108	561	601	2,271	3,05	4,91	5,93	3.92
Nevada	73,072	5,306	2,452	80,830	2,453	258	130	2,841	3,36	4,85	5,30	3.51
New Hampshire	32,327	15,315	1,657	49,298	996	97	1,792	3,08	4,56	5,84	3.63	
New Jersey	385,968	n.a.	385,968	12,507	n.a.	n.a.	12,507	3,24	n.a.	n.a.	3.24	
New Mexico	35,680	15,311	2,287	53,277	1,251	688	158	2,097	3,51	4,49	6,90	3.94
New York	733,859	30,140	11,189	775,189	22,917	1,684	684	25,285	3,12	5,59	6,11	3.26
North Carolina	196,256	52,718	17,467	266,441	7,252	2,823	1,024	11,099	3,70	5,35	5,86	4.17

Table 3: Personal Income And Social Security Retirement Benefits In 2005, By State

State	2005 Personal Income ^d (millions of 2005 dollars)			Social Security Retirement Benefits ^e (millions of 2005 dollars)						Social Security Retirement Benefits ^b As A Percentage Of Personal Income ^b		
	Nonmetro Counties		Total	Nonmetro Counties			Total	Metro Counties	Nonmetro Counties	Metro	Nonmetro Counties	Total
	Metro Counties	Micro	Countryside	Metro Counties	Micro	Countryside	Total	Counties	Micro	Countryside	Total	
North Dakota	9,525	4,323	5,477	19,325	312	191	307	810	3.28	4.41	5.61	4.19
Ohio	318,633	47,094	12,541	378,268	11,866	2,233	599	14,698	3.72	4.74	4.78	3.89
Oklahoma	71,147	18,928	12,762	102,837	2,653	1,025	802	4,479	3.73	5.41	6.28	4.36
Oregon	95,112	18,010	3,826	116,948	3,557	1,186	284	5,027	3.74	6.59	7.42	4.30
Pennsylvania	381,033	43,384	10,131	434,548	16,118	2,567	636	19,321	4.23	5.92	6.27	4.45
Rhode Island	37,167	n.a.	n.a.	37,167	1,545	n.a.	n.a.	1,545	4.16	n.a.	n.a.	4.16
South Carolina	94,023	20,785	5,982	120,790	4,046	1,185	329	5,560	4.30	5.70	5.50	4.60
South Dakota	11,541	6,516	5,724	23,781	417	299	306	1,022	3.61	4.59	5.34	4.30
Tennessee	144,010	26,035	14,041	184,086	5,178	1,498	842	7,518	3.60	5.75	6.00	4.08
Texas	662,522	37,360	35,749	735,630	16,556	1,820	2,188	20,564	2.50	4.87	6.12	2.80
Utah	61,906	3,470	2,807	68,183	1,836	158	156	2,149	2.97	4.54	5.56	3.15
Vermont	7,397	8,381	4,985	20,763	231	409	224	863	3.12	4.88	4.49	4.16
Virginia	250,218	6,228	21,430	277,875	6,722	389	1,310	8,421	2.69	6.25	6.11	3.03
Washington	208,074	15,020	6,217	229,311	6,355	909	408	7,672	3.05	6.05	6.57	3.35
West Virginia	28,559	9,632	10,631	48,822	1,395	509	595	2,498	4.88	5.28	5.59	5.12
Wisconsin	143,189	22,663	20,908	186,760	5,352	1,156	1,382	7,890	3.74	5.10	6.61	4.22
Wyoming	5,423	7,898	4,405	17,726	193	221	232	646	3.56	2.80	5.27	3.64
Totals	8,929,453	820,750	488,997	10,239,201	289,826	43,029	28,676	361,531	3.25	5.24	5.86	3.53

^bComputed by the authors^dSource: Computed by the authors using data from Bureau of Economic Analysis 2005 National Income and Product Accounts Table retrieved on March 9, 2007 and Woods & Poole. (2005) Complete U.S. Database on CD-ROM. 1794 Columbia Road, NW, Suite 4, Washington, DC 20009-2808^eSource: Social Security Administration, Master Beneficiary Record, 100 percent data.

File available from:

Social Security Administration, Office of Policy
OASDI Beneficiaries by State and County, 2005
http://www.socialsecurity.gov/policy/docs/statcomps/oasdi_sc/2005/

Figure 3: Social Security Retirement Benefits As A Percentage Of Income In 2005

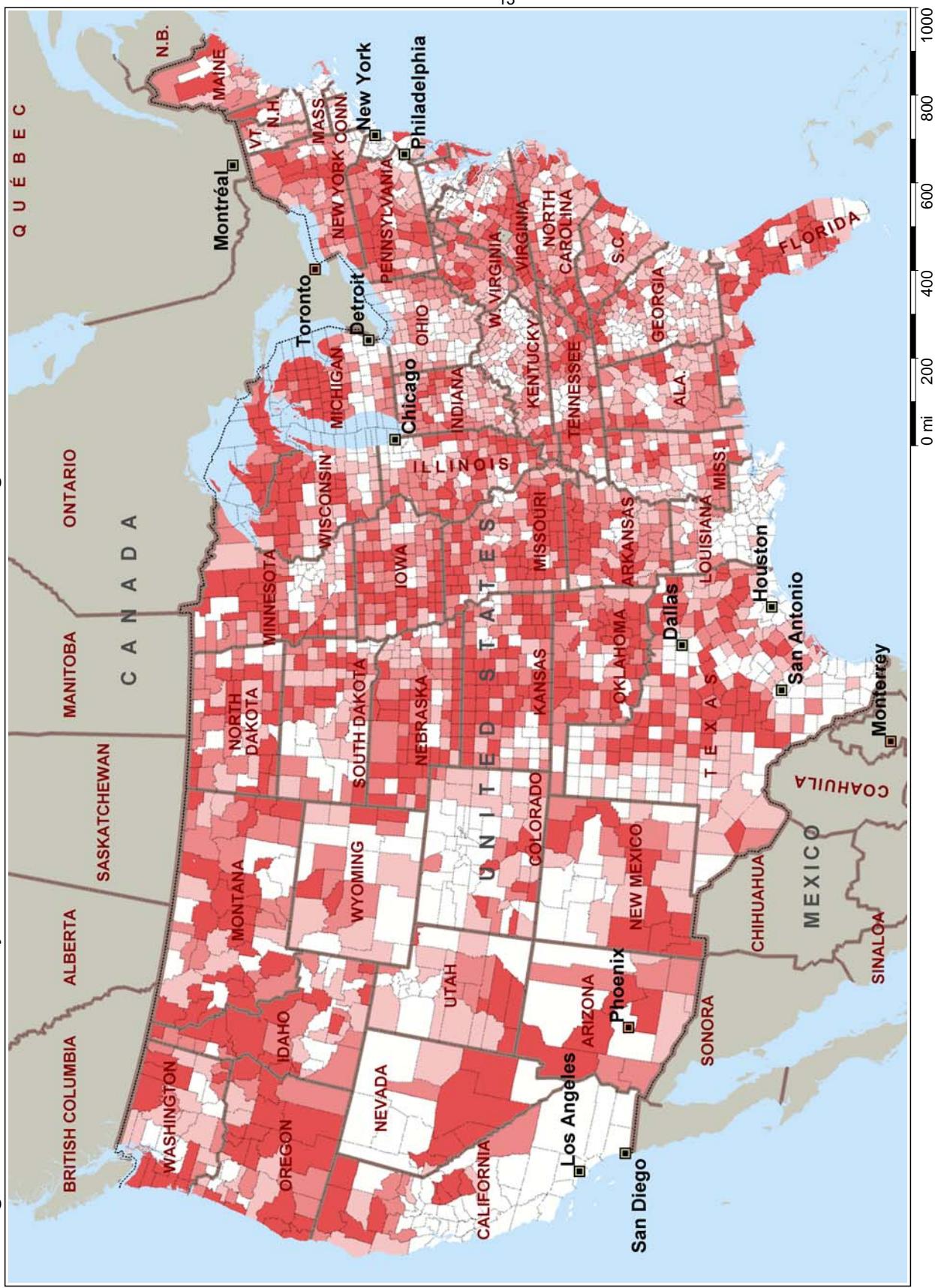


Figure 3: Social Security Retirement Benefits As A Percentage Of Income In 2005

Income Range	Percentage (%)			
0.90 to 4.21	4.22 to 5.201	5.202 to 6.16	6.163 to 22.7	22.7+

A reduction of benefits for only those whose earnings were sufficiently high to be affected by the top-most of the three ranges for the “replacement factor” markedly compresses rural-urban differences relative to the option of reducing all benefits proportionately. Using projections for 2034 (see Table 4), rural communities would find their decline in benefits relative to income to be about 1.2 times that in urban communities. This is much smaller than the factors of 1.6 and 1.8 estimated for the option of a proportionate reduction of all SS benefits. The underlying reason for the shift is that beneficiaries in the top tier are distributed more uniformly over rural-urban communities than is the case for all beneficiaries.

The regional consequences of this option would differ in important respects from those of a proportionate reduction of all Social Security benefits (see Table 4 and Figure 4). The communities experiencing the largest negative effect on income would be the rural portions of states with relatively high projected wage levels in 2034; these states include those in the northeast and mid-Atlantic region; Michigan and Wisconsin in the industrialized Midwest; and the West Coast states of California, Oregon and Washington.

The communities with the smallest negative effects on income would include two, different types. First, those with few elderly—as identified above in the section on “context”—would continue to be among those least affected. Second, the other set of communities is in states with relatively low levels of per capita earnings. Prominent among these are rural Georgia, rural Kentucky, all of Louisiana, rural Mississippi, the Rio Grande Valley, and the South Dakota countryside.

Policy Option: Raise the Retirement Age

An increase in the retirement age is a commonly proposed policy that would reduce Social Security outlays by delaying the onset of eligibility for benefits. This study examined the consequences of raising the full retirement age (FRA; a.k.a. normal retirement age) to 68. The increase was assumed to phase in over a six year period, as is now legislated for the increase to age 67. The increase to age 68 would be fully implemented for retirees born in or after 1966 and reaching the FRA in 2034 or later. This analysis estimates the impacts as of 2034.

Increasing the retirement age would decrease benefits in a pattern strongly correlated with the urban-rural spectrum, as shown in Table 5 and Figure 5. This is not surprising in view of the elderly being a disproportionate share of the total population in rural communities relative to urban communities. The decline of benefits relative to income in micropolitan communities and the rural countryside would be about 1.45 and 1.61 times respectively the decline in urban communities. The rural-urban differential is considerably larger than that associated with a policy that would reduce benefits of only those in the top tier of benefits. The differential associated with raising the retirement age is moderately smaller than that associated with a proportionate reduction in all benefits.

The communities experiencing the largest negative effects on income are rural communities with relatively large numbers of elderly people. As noted earlier, in some cases these communities have large numbers of elderly because middle-aged residents have aged while younger residents have migrated to other locations, e.g., the rural countryside of Indiana,

Table 4: Reduction in the Top Tier of Social Security Retirement Benefits
As A Percentage Of Income In 2034, by State

State	2034 Reduction In Benefits (millions of 2034 dollars)						2034 Personal Income (millions of 2034 dollars)						2034 Reduction In Benefits As A Percentage Of Personal Income			
	Metro Counties		Nonmetro Counties Micro		Nonmetro Counties Countrywide		Metro Counties		Nonmetro Counties Micro		Nonmetro Counties Countrywide		Metro Counties		Nonmetro Counties Micro	
	Total	Countywide	Total	Micro	Total	Countrywide	Total	Countywide	Total	Countrywide	Total	Countrywide	Total	Countywide	Total	Countywide
Alabama	320	82	32	434	354,	155	81,508	35,649	471,313	0,09	0,10	0,09	0,09	0,09	0,09	0,09
Alaska	38	6	16	60	61,	135	7,811	21,093	90,039	0,06	0,07	0,07	0,08	0,07	0,07	0,07
Arizona	840	75	15	930	752,	796	49,597	14,469	816,861	0,11	0,15	0,10	0,11	0,11	0,11	0,11
Arkansas	161	45	43	248	189,	163	48,678	45,744	283,585	0,08	0,09	0,09	0,09	0,09	0,09	0,09
California	4,002	84	41	4,126	5,045,	043	66,537	28,707	5,140,287	0,08	0,13	0,13	0,14	0,08	0,08	0,08
Colorado	432	37	43	512	737,	369	43,435	52,410	833,215	0,06	0,08	0,08	0,08	0,06	0,06	0,06
Connecticut	548	64	n.a.	612	528,	713	39,478	n.a.	568,191	0,10	0,16	n.a.	n.a.	0,11	n.a.	0,11
Delaware	97	35	n.a.	132	91,	770	18,769	n.a.	110,539	0,11	0,19	n.a.	n.a.	0,12	n.a.	0,12
Dist. Of Columbia	18	n.a.	n.a.	18	81,	712	n.a.	n.a.	81,712	0,02	n.a.	n.a.	n.a.	0,02	n.a.	0,02
Florida	2,737	136	37	2,910	2,406,	667	78,493	31,766	2,516,925	0,11	0,17	0,12	0,12	0,12	0,12	0,12
Georgia	792	62	55	910	987,	881	79,266	70,085	1,137,232	0,08	0,08	0,08	0,08	0,08	0,08	0,08
Hawaii	109	57	n.a.	166	105,	641	46,976	n.a.	152,617	0,10	0,12	n.a.	n.a.	0,11	n.a.	0,11
Idaho	114	28	29	171	121,	410	27,467	22,578	171,455	0,09	0,10	0,13	0,10	0,10	0,13	0,10
Illinois	1,417	110	59	1,586	1,534,	800	96,800	50,380	1,681,980	0,09	0,11	0,12	0,09	0,09	0,12	0,09
Indiana	676	120	40	836	570,	608	95,275	30,113	695,996	0,12	0,13	0,13	0,12	0,12	0,13	0,12
Iowa	199	58	81	339	193,	094	48,533	73,622	315,249	0,10	0,12	0,11	0,11	0,11	0,11	0,11
Kansas	262	59	37	357	238,	739	54,822	35,939	329,500	0,11	0,11	0,10	0,11	0,11	0,11	0,11
Kentucky	232	56	60	347	281,	292	70,875	78,446	430,614	0,08	0,08	0,08	0,08	0,08	0,08	0,08
Louisiana	271	41	13	326	360,	464	64,496	21,011	445,971	0,08	0,06	0,06	0,07	0,07	0,07	0,07
Maine	90	15	40	146	90,	354	17,557	36,437	144,348	0,10	0,09	0,11	0,10	0,11	0,10	0,10
Maryland	672	29	10	711	829,	954	29,653	8,408	868,015	0,08	0,10	0,12	0,08	0,08	0,12	0,08
Massachusetts	714	n.a.	8	722	962,	791	n.a.	5,412	968,204	0,07	n.a.	n.a.	0,15	0,07	0,15	0,07
Michigan	1,305	166	129	1,600	977,	809	105,398	72,269	1,155,475	0,13	0,16	0,18	0,14	0,14	0,18	0,14
Minnesota	583	78	59	721	591,	034	78,554	61,123	730,712	0,10	0,10	0,10	0,10	0,10	0,10	0,10
Mississippi	123	62	33	219	145,	595	83,794	44,819	274,208	0,08	0,07	0,07	0,08	0,08	0,07	0,08
Missouri	539	58	61	658	528,	331	72,942	62,879	664,152	0,10	0,08	0,10	0,10	0,10	0,10	0,10
Montana	41	43	34	118	37,660	34,501	27,580	99,741	0,11	0,12	0,12	0,12	0,12	0,12	0,12	
Nebraska	112	39	29	180	136,	428	39,451	32,167	208,046	0,08	0,10	0,09	0,09	0,09	0,09	0,09
Nevada	338	30	12	380	368,	501	23,051	10,919	402,472	0,09	0,13	0,11	0,09	0,09	0,09	0,09
New Hampshire	151	80	12	244	127,370	55,615	6,934	189,919	0,12	0,14	0,14	0,14	0,14	0,13	0,13	
New Jersey	1,680	n.a.	n.a.	1,680	1,373,	196	n.a.	n.a.	1,373,196	0,12	n.a.	n.a.	n.a.	0,12	n.a.	0,12
New Mexico	155	42	9	206	159,	088	49,205	8,658	216,951	0,10	0,08	0,10	0,09	0,09	0,10	0,09
New York	2,413	120	53	2,586	2,380,	897	94,400	35,811	2,511,107	0,10	0,13	0,15	0,10	0,15	0,10	0,10

Table 4: Reduction in the Top Tier of Social Security Retirement Benefits
As A Percentage Of Income In 2034, by State

State	2034 Reduction In Benefits (millions of 2034 dollars)			2034 Personal Income (millions of 2034 dollars)			2034 Reduction In Benefits As A Percentage Of Personal Income		
	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Total	Metro Counties	
	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total
North Carolina	666	192	57	915	766,519	189,928	63,312	1,019,759	0.09
North Dakota	32	4	14	59	35,865	14,008	17,044	66,917	0.09
Ohio	1,015	167	45	1,226	1,074,842	155,155	41,912	1,271,909	0.09
Oklahoma	221	60	37	319	260,867	65,581	44,503	370,950	0.08
Oregon	392	92	19	503	372,831	65,583	13,817	452,230	0.11
Pennsylvania	1,581	198	46	1,825	1,272,009	143,935	33,953	1,449,896	0.14
Rhode Island	132	n.a.	132	126,301	n.a.	126,301	0.10	n.a.	n.a.
South Carolina	381	115	18	514	366,165	77,407	20,308	463,880	0.10
South Dakota	39	21	12	71	45,672	22,833	18,726	87,230	0.08
Tennessee	493	96	46	636	557,467	96,203	51,193	704,863	0.09
Texas	2,038	135	122	2,294	2,750,817	144,863	127,908	3,023,587	0.07
Utah	226	15	11	252	298,415	15,031	12,397	325,842	0.08
Vermont	31	41	23	95	26,327	28,269	18,450	73,046	0.15
Virginia	812	30	70	912	1,024,593	24,495	68,019	1,117,107	0.08
Washington	856	82	40	979	821,721	55,832	25,195	902,748	0.10
West Virginia	105	34	39	178	90,845	33,180	33,940	157,964	0.12
Wisconsin	623	104	100	827	508,828	80,721	75,318	664,867	0.13
Wyoming	18	36	20	73	17,750	29,495	14,829	62,074	0.12
Totals	31,842	3,350	1,807	37,000	33,769,295	2,945,452	1,706,253	38,421,000	0.11

Figure 4: Reduction In The Top Tier Of Social Security Benefits As A Percentage Of Income In 2034

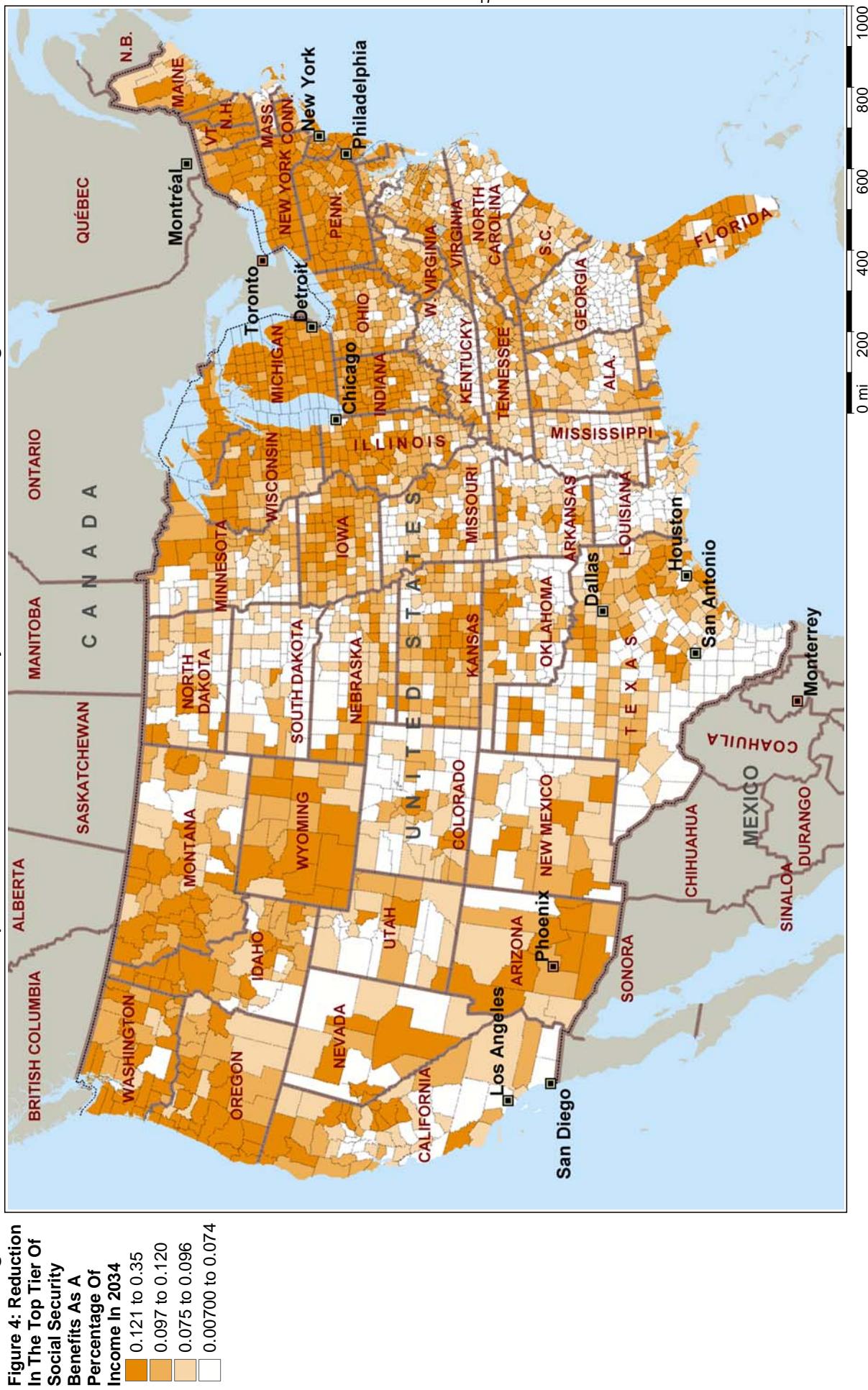


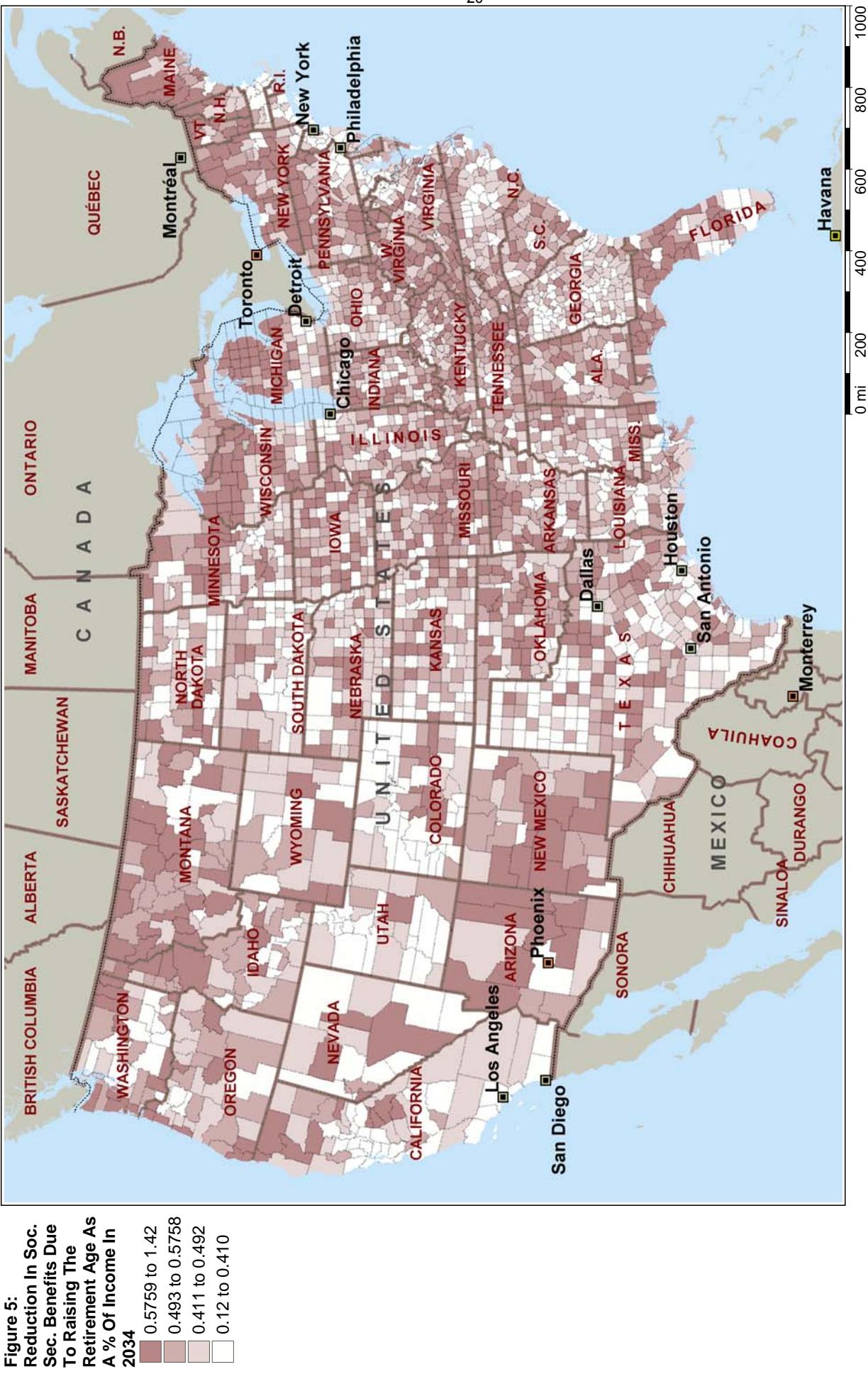
Table 5: Reduction In Social Security Retirement Benefits Due To Raising The Retirement Age
As A Percentage Of Income In 2034, By State

State	2034 Reduction In Benefits (millions of 2034 dollars)			2034 Personal Income (millions of 2034 dollars)			2034 Reduction In Benefits As A Percentage Of Personal Income			
	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	
	Metro Counties	Nonmetro Counties	Micro	Countrywide	Total	Micro	Countrywide	Total	Micro	Countrywide
Alabama	1,462	412	201	2,076	354,155	81,508	35,649	471,313	0.41	0.51
Alaska	170	30	91	290	61,135	7,811	21,093	90,039	0.28	0.38
Arizona	2,938	290	94	3,322	752,796	49,597	14,469	816,861	0.39	0.59
Arkansas	781	252	282	1,315	189,163	48,678	45,744	283,585	0.41	0.52
California	17,117	343	167	17,626	5,045,043	66,537	28,707	5,140,287	0.34	0.51
Colorado	1,766	155	208	2,129	737,369	43,435	52,410	833,215	0.24	0.36
Connecticut	1,548	199	n.a.	1,747	528,713	39,478	n.a.	568,191	0.29	0.50
Delaware	312	120	n.a.	431	91,770	18,769	n.a.	110,539	0.34	0.64
Dist. Of Columbia	129	n.a.	n.a.	129	81,712	n.a.	n.a.	81,712	0.16	n.a.
Florida	10,326	503	212	11,040	2,406,667	78,493	31,766	2,516,925	0.43	0.64
Georgia	3,302	353	333	3,988	987,881	79,266	70,085	1,137,232	0.33	0.45
Hawaii	464	235	n.a.	699	105,641	46,976	n.a.	152,617	0.44	0.50
Idaho	437	131	121	690	121,410	27,467	22,578	171,455	0.36	0.48
Illinois	4,737	472	287	5,497	1,534,800	96,800	50,380	1,681,980	0.31	0.49
Indiana	2,141	471	184	2,796	570,608	95,275	30,113	695,996	0.38	0.49
Iowa	696	240	409	1,345	193,094	48,533	73,622	315,249	0.36	0.50
Kansas	790	246	174	1,210	238,739	54,822	35,939	329,500	0.33	0.45
Kentucky	1,061	338	436	1,834	281,292	70,875	78,446	430,614	0.38	0.48
Louisiana	1,345	276	100	1,721	360,464	64,496	21,011	445,971	0.37	0.43
Maine	428	88	237	753	90,354	17,557	36,437	144,348	0.47	0.50
Maryland	2,606	131	47	2,783	829,954	29,653	8,408	868,015	0.31	0.44
Massachusetts	2,831	n.a.	25	2,856	962,791	n.a.	5,412	968,204	0.29	n.a.
Michigan	3,689	596	516	4,801	977,809	105,398	72,269	1,155,475	0.38	0.57
Minnesota	1,994	369	349	2,712	591,034	78,554	61,123	730,712	0.34	0.47
Mississippi	610	379	233	1,222	145,595	83,794	44,819	274,208	0.42	0.45
Missouri	2,050	349	391	2,790	528,331	72,942	62,879	664,152	0.39	0.48
Montana	177	168	176	521	37,660	34,501	27,580	99,741	0.47	0.49
Nebraska	418	177	152	747	136,428	39,451	32,167	208,046	0.31	0.45
Nevada	1,246	135	54	1,434	368,501	23,051	10,919	402,472	0.34	0.59
New Hampshire	554	292	42	888	127,370	55,615	6,934	189,919	0.44	0.53
New Jersey	4,654	n.a.	n.a.	4,654	1,373,196	n.a.	n.a.	1,373,196	0.34	n.a.
New Mexico	706	259	50	1,015	159,088	49,205	8,658	216,951	0.44	0.53
New York	7,798	536	234	8,569	2,380,897	94,400	35,811	2,511,107	0.33	0.57

Table 5: Reduction In Social Security Retirement Benefits Due To Raising The Retirement Age
As A Percentage Of Income In 2034, By State

State	2034 Reduction In Benefits (millions of 2034 dollars)			2034 Personal Income (millions of 2034 dollars)			2034 Reduction In Benefits As A Percentage Of Personal Income		
	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties
	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total	Metro Counties	Nonmetro Counties	Total
North Carolina	2,707	925	3,960	766,519	189,928	63,312	1,019,759	0.35	0.49
North Dakota	133	70	280	35,865	14,008	17,044	66,917	0.37	0.50
Ohio	3,864	751	240	4,854	1,074,842	155,155	41,912	1,271,909	0.36
Oklahoma	994	325	243	1,562	260,867	65,581	44,503	370,950	0.38
Oregon	1,309	368	83	1,760	372,831	65,583	13,817	452,230	0.35
Pennsylvania	4,957	835	210	6,001	1,272,009	143,935	33,953	1,449,896	0.39
Rhode Island	518	n.a.	518	126,301	n.a.	126,301	0.41	n.a.	0.41
South Carolina	1,580	394	112	2,086	366,165	77,407	20,308	463,880	0.43
South Dakota	179	112	78	369	45,672	22,833	18,726	87,230	0.39
Tennessee	2,064	502	305	2,871	557,467	96,203	51,193	704,863	0.37
Texas	8,747	700	638	10,084	2,750,817	144,863	127,908	3,023,587	0.32
Utah	775	63	57	895	298,415	15,031	12,397	325,842	0.26
Vermont	119	163	110	392	26,327	28,269	18,450	73,046	0.45
Virginia	3,345	130	392	3,867	1,024,593	24,495	68,019	1,117,107	0.33
Washington	2,862	300	143	3,304	821,721	55,832	25,195	902,748	0.35
West Virginia	448	156	206	810	90,845	33,180	33,940	157,964	0.49
Wisconsin	2,029	406	503	2,937	508,828	80,721	75,318	664,867	0.40
Wyoming	66	117	78	261	17,750	29,495	14,829	62,074	0.37
Totals	117,979	14,861	9,604	142,443	33,769,295	2,945,452	1,706,253	38,421,000	0.35
								0.50	0.56
									0.37

Figure 5: Reduction In Soc. Sec. Benefits Due To Raising The Retirement Age As A % Of Income In 2034



Maine, Montana, New York, and Pennsylvania as projected for 2034. In other cases the countryside communities are destinations for elderly migrants, e.g., the rural countryside of Arizona, Arkansas, Florida, Michigan, Missouri, New Mexico, and Wisconsin as projected for 2034. In the latter cases the negative effects of the policy change would probably be realized through delays in in-migration because the elderly have to wait longer to become beneficiaries.

The communities experiencing the largest negative effects on income are rural communities with relatively large numbers of elderly people. As noted earlier, in some cases these communities have large numbers of elderly because middle-aged residents have aged while younger residents have migrated to other locations, e.g., the rural countryside of Indiana, Maine, Montana, New York, and Pennsylvania as projected for 2034. In other cases the countryside communities are destinations for elderly migrants, e.g., the rural countryside of Arizona, Arkansas, Florida, Michigan, Missouri, New Mexico, and Wisconsin as projected for 2034. In the latter cases the negative effects of the policy change would probably be realized through delays in in-migration because the elderly have to wait longer to become beneficiaries.

The communities with the smallest negative effects on income are urban places that attract young in-migrants, thereby lowering the relative proportion of the elderly population. Some prominent examples in the projection for 2034 are the District of Columbia and urban communities in Alaska, Colorado, Connecticut, Illinois, Massachusetts, and Nebraska. As mentioned earlier, urban communities in Utah experience a relatively small negative effect because of the high birth rate that lowers the proportion of the population that is elderly.

Policy Option: Raise the Proportion of Earnings That Is Taxable

This analysis followed two complementary approaches in investigating the policy option of raising the proportion of earnings that is taxable. The first approach assumed all earnings would be taxable, following the path that lawmakers chose for Medicare. This analysis incorporated a comparative analysis of Social Security and Medicare tax bases in 2003 to assess the consequences of moving Social Security to the tax base under girding Medicare. The detailed results are shown in Tables 6 and 7 and in Figure 6. Table 6 displays OASDI (a.k.a. Social Security) and HI (a.k.a. Medicare) taxable earnings by state and rural-urban area; the differences are the underlying causal factors of the results shown in Table 7 and Figure 6.

The second approach assumed the maximum on taxable earnings for Social Security would be increased sufficiently that 90 percent of total earnings in the U. S. would be taxable as compared to the current 83 percent. The analysis focused on the year 2034 because this would enable comparisons with the consequences of other policy proposals analyzed in this study. The core of the method consisted of distributing a Congressional Budget Office estimate for the U.S.⁵ over counties based on a projection by Woods & Poole of the relative

⁵ U. S. Congressional Budget Office. (February 8, 2006) Long-Term Analysis of the Liebman-MacGuineas-Samwick Proposal. Washington, D.C. Retrieved in March 2006 from <http://www.cbo.gov/ftpdoc.cfm?index=7041&type=1>.

Table 6: OASDI Taxable Income, HI Taxable Income, And Potential Additional OASDI Taxable Income In 2003

State	OASDI Taxable Income (up to \$87,000 ceiling) ^a (thousands of 2003 dollars)			HI Taxable Income (100% of Income) ^a (thousands of 2003 dollars)			Additional OASDI Taxable Income ^b (thousands of 2003 dollars)		
	Metro Counties	Nonmetro Counties		Metro Counties	Nonmetro Counties		Metro Counties	Nonmetro Counties	
		Micro	Countrywide		Micro	Countrywide		Micro	Countrywide
Alabama	41,963,474	8,871,972	4,520,361	55,355,807	47,268,118	9,406,675	4,710,487	61,385,280	5,304,644
Alaska	7,294,795	836,991	2,114,009	10,245,795	9,211,642	1,076,460	2,556,912	12,845,014	1,916,847
Arizona	66,679,766	5,361,575	1,520,092	73,561,433	74,982,268	6,107,925	1,579,993	82,670,186	8,302,502
Arkansas	19,842,936	5,379,613	5,169,032	30,391,581	21,893,307	5,735,560	5,443,851	33,072,718	2,050,371
California	496,901,928	5,668,900	3,510,919	506,081,747	652,529,292	6,754,357	4,047,081	663,330,730	155,627,364
Colorado	59,842,962	2,742,929	4,041,747	66,627,638	74,833,451	3,311,272	4,897,974	83,042,697	14,990,489
Connecticut	59,986,385	5,381,512	n.a.	65,367,897	85,217,965	6,373,817	n.a.	91,591,782	25,231,580
Delaware	12,297,341	2,230,246	n.a.	14,527,587	13,883,822	2,420,754	n.a.	16,304,576	1,586,481
Dist. Columbia	12,290,176	n.a.	n.a.	12,290,176	16,225,592	n.a.	n.a.	16,225,592	3,935,416
Florida	214,064,192	5,697,735	3,356,129	223,118,056	253,541,311	5,979,569	3,525,736	263,046,616	39,477,119
Georgia	103,844,759	9,411,745	7,846,853	121,103,357	126,199,004	10,257,390	8,766,545	145,222,939	22,354,245
Hawaii	14,064,072	5,055,244		19,119,316	15,760,930	6,055,102		21,816,032	1,696,858
Idaho	11,856,127	2,953,320	2,038,798	16,848,245	13,096,737	3,067,483	2,125,376	18,289,596	1,240,610
Illinois	170,190,578	13,593,248	6,580,664	190,364,490	218,437,058	15,583,351	6,922,240	240,942,649	48,246,480
Indiana	75,646,923	13,858,591	4,185,604	93,691,118	83,850,526	14,649,156	4,390,923	102,890,605	8,203,603
Iowa	25,938,673	6,874,016	9,444,645	42,257,334	28,717,199	7,322,968	9,741,121	45,781,288	2,778,526
Kansas	28,704,438	7,266,413	4,392,014	40,362,865	33,250,034	7,692,063	4,488,749	45,430,846	4,545,596
Kentucky	35,208,372	8,199,171	8,246,392	51,671,935	40,913,737	8,999,867	10,370,445	60,284,049	5,705,365
Louisiana	38,768,298	6,687,583	4,218,235	49,674,116	48,922,261	7,930,959	4,938,774	61,791,994	10,153,963
Maine	11,673,454	1,739,123	4,202,927	17,615,504	13,391,706	2,187,176	4,703,966	20,282,848	1,718,252
Maryland	99,349,700	3,144,020	1,032,053	103,525,773	118,548,625	3,593,697	1,058,990	123,201,312	19,198,925
Massachusetts	110,177,979	n.a.	430,490	110,608,469	146,405,717	n.a.	586,732	146,992,449	36,227,738
Michigan	134,584,475	14,342,085	9,233,260	158,159,820	155,380,608	15,403,174	9,721,183	180,504,965	20,796,133
Minnesota	70,049,936	10,405,865	8,202,505	88,658,306	83,495,560	10,978,493	8,521,725	102,995,778	13,445,624
Mississippi	15,613,360	9,447,090	5,811,970	30,872,420	16,989,965	10,159,774	5,945,591	33,095,330	1,376,605
Missouri	62,662,453	7,673,467	6,722,670	77,058,590	72,996,398	8,433,621	7,482,401	88,912,420	10,333,945
Montana	4,295,802	3,436,034	3,082,825	10,814,661	4,727,475	3,862,801	3,189,554	11,779,830	431,673
Nebraska	16,577,374	4,977,607	3,793,480	25,348,461	18,871,348	5,256,500	3,933,102	28,060,950	2,293,974
Nevada	27,221,886	1,562,409	865,627	29,649,922	33,372,936	1,886,020	1,093,957	36,352,913	6,151,050
New Hampshire	16,080,092	6,828,079	613,219	23,521,390	19,384,620	7,820,885	686,248	27,891,753	3,304,528
New Jersey	166,389,107	n.a.	n.a.	166,389,107	212,120,569	n.a.	n.a.	212,120,569	45,731,462

Table 6: OASDI Taxable Income, HI Taxable Income, And Potential Additional OASDI Taxable Income In 2003

State	OASDI Taxable Income (up to \$87,000 ceiling) ^a (thousands of 2003 dollars)			HI Taxable Income (100% of Income) ^a (thousands of 2003 dollars)			Additional OASDI Taxable Income ^b (thousands of 2003 dollars)					
	Nonmetro Counties		Total	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties			
	Metro Counties	Micro Counties	Countrywide	Metro Counties	Micro Counties	Countrywide	Metro Counties	Micro Counties	Countrywide			
New Mexico	15,551,349	5,523,754	749,692	21,824,795	17,086,852	6,008,673	787,595	23,883,120	1,535,503	484,919	37,903	2,058,325
New York	288,795,309	13,714,595	4,850,291	307,360,195	378,791,063	14,462,097	5,056,937	398,310,097	89,995,754	747,502	206,646	90,949,902
North Carolina	88,260,386	21,963,907	6,788,361	117,012,654	100,368,515	23,550,204	7,041,609	130,960,328	12,108,129	1,586,297	253,248	13,947,674
North Dakota	4,544,161	1,854,449	2,019,225	8,417,835	4,910,024	1,946,038	2,078,186	8,934,248	365,863	91,589	58,961	516,413
Ohio	129,604,828	19,734,228	4,873,900	154,212,956	165,506,137	22,996,918	5,593,638	194,096,693	35,901,309	3,262,690	719,738	39,883,737
Oklahoma	29,427,921	7,734,836	4,763,026	41,925,783	32,267,482	8,120,559	5,214,430	45,602,471	2,839,561	385,723	451,404	3,676,688
Oregon	41,641,872	7,056,948	1,529,964	50,228,784	46,341,457	7,537,058	1,640,027	55,518,542	4,699,585	480,110	110,063	5,289,758
Pennsylvania	167,337,719	20,019,105	4,212,729	191,569,553	196,952,421	21,330,223	4,436,360	222,719,004	29,614,702	1,311,118	223,631	31,149,451
Rhode Island	17,908,011	n.a.	17,908,011	20,322,482	n.a.	n.a.	20,322,482	2,414,471	n.a.	n.a.	2,414,471	2,414,471
South Carolina	42,972,964	8,208,038	2,393,334	53,574,336	47,355,083	8,734,805	2,465,318	58,555,206	4,382,119	526,767	71,984	4,980,870
South Dakota	5,238,542	2,772,280	2,077,359	10,088,181	5,772,377	2,928,739	2,171,467	10,872,583	533,835	156,459	94,108	784,402
Tennessee	62,831,549	11,308,455	5,830,978	79,970,982	74,142,321	12,069,681	5,997,803	92,209,805	11,310,772	761,226	166,825	12,238,823
Texas	253,989,079	13,291,521	12,763,884	280,044,484	312,677,362	15,879,272	14,649,042	343,205,676	58,688,283	2,587,751	1,885,158	63,161,192
Utah	26,981,078	1,456,303	1,137,202	29,574,583	31,309,077	1,539,743	1,189,575	34,038,395	4,327,999	83,440	52,373	4,463,812
Vermont	4,059,298	3,372,713	2,151,953	9,583,964	4,512,352	3,688,101	2,337,584	10,538,037	453,054	315,388	185,631	954,073
Virginia	116,009,928	2,753,827	9,465,818	128,229,573	137,188,534	2,970,480	9,879,574	150,038,588	21,178,606	216,653	413,756	21,809,015
Washington	90,136,904	6,226,936	1,996,232	98,360,072	107,830,206	6,733,368	2,168,644	116,732,218	17,693,302	506,432	172,412	18,372,146
West Virginia	12,281,709	3,824,589	4,138,975	20,245,273	13,542,881	4,109,018	4,324,431	21,976,330	1,261,172	284,429	185,456	1,731,057
Wisconsin	67,737,032	11,089,960	9,440,924	88,267,916	76,817,807	11,920,048	9,800,115	98,537,970	9,080,775	830,088	359,191	10,270,054
Wyoming	2,296,102	3,165,040	1,779,435	7,240,577	2,509,324	3,490,233	1,896,152	7,895,709	213,222	325,193	116,717	655,132
Totals	3,697,667,554	344,698,067	198,157,802	4,240,523,423	4,530,623,538	378,322,127	214,158,143	5,123,103,808	832,955,984	33,624,060	16,000,341	882,580,385

a. SOURCE: Social Security Administration, Continuous Work History Sample, 1 percent sample.

File retrieved on August 8, 2006 from:

Social Security Administration, Office of Policy

Earnings and Employment Data for Workers Covered Under Social Security and Medicare, by State and County, 2003
http://www.socialsecurity.gov/policy/docs/statcomps/eodata_sc/2003/

NOTES:

State designation is based on employee residence.

Includes income from wages, salaries, and self employment

OASDI = Old-Age, Survivors, and Disability Insurance ("Social Security"). The annual maximum taxable

HI = Hospital Insurance ("Medicare"). There is no annual maximum taxable amount for Medicare

b. Computed by the authors

Table 7: Additional OASDI Tax Assuming No Cap, Percentage Increase In OASDI Tax, And Increased Tax As A Percentage Of Personal Income In 2003

State	Additional OASDI Tax ^a (thousands of 2003 dollars)			Percentage Increase In OASDI Tax ^a			Additional OASDI Tax as a Percentage of Personal Income ^b				
	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Additional OASDI Tax as a Percentage of Personal Income ^b	
	Metro Counties	Nonmetro Counties	Total	Metro Counties	Micro	Countrywide	Total	Metro Counties	Micro	Countrywide	Total
Alabama	657,776	66,303	23,576	747,655	12,64	6,03	4,21	10,89	0,7428	0,3375	0,2284
Alaska	237,689	29,694	54,920	322,303	26,28	28,61	20,95	25,37	1,6039	1,4891	1,1934
Arizona	1,029,510	92,547	7,428	1,129,485	12,45	13,92	3,94	12,38	0,7369	1,0535	0,2312
Arkansas	254,246	44,137	34,078	332,461	10,33	6,62	5,32	8,82	0,6064	0,3573	0,2829
California	19,297,793	134,597	66,484	19,498,874	31,32	19,15	15,27	31,07	1,6588	0,9282	1,0392
Colorado	1,858,821	70,475	106,172	2,035,468	25,05	20,72	21,18	24,64	1,3324	0,9867	1,0229
Connecticut	3,128,716	123,046	n.a.	3,251,762	42,06	18,44	n.a.	40,12	2,2617	1,1736	n.a.
Delaware	196,724	23,623	n.a.	220,347	12,90	8,54	n.a.	12,23	0,8521	0,5211	n.a.
Dist. Columbia	487,992	n.a.	n.a.	487,992	32,02	n.a.	n.a.	32,02	1,8332	n.a.	n.a.
Florida	4,895,163	34,947	21,031	4,951,141	18,44	4,95	5,05	17,90	1,0009	0,2225	0,2919
Georgia	2,771,926	104,860	114,042	2,990,828	21,53	8,99	11,72	19,92	1,2961	0,5288	0,6693
Hawaii	210,410	123,982	n.a.	334,392	12,07	19,78	n.a.	14,10	0,7233	1,3738	n.a.
Idaho	153,836	14,156	10,736	178,728	10,46	3,87	4,25	8,55	0,6545	0,2181	0,2304
Illinois	5,982,564	246,773	42,355	6,271,692	28,35	14,64	5,19	26,57	1,5662	0,8873	0,2872
Indiana	1,017,247	98,030	25,460	1,140,737	10,84	5,70	4,91	9,82	0,7061	0,3708	0,3019
Iowa	344,537	55,670	36,763	436,970	10,71	6,53	3,14	8,34	0,6983	0,3967	0,1778
Kansas	563,654	52,781	11,995	628,430	15,84	5,86	2,20	12,56	1,0159	0,3533	0,1145
Kentucky	707,465	99,286	261,151	1,067,902	16,20	9,77	25,48	16,67	1,0226	0,5726	1,3305
Louisiana	1,259,091	154,179	89,347	1,502,617	26,19	18,59	17,08	24,39	1,3597	0,8718	1,5122
Maine	213,063	55,559	62,129	330,751	14,72	25,76	11,92	15,14	0,9181	1,2229	0,6518
Maryland	2,380,667	55,760	3,340	2,439,767	19,32	14,30	2,61	19,01	1,2055	0,8328	0,1575
Massachusetts	4,492,240	n.a.	19,374	4,511,614	32,88	n.a.	36,29	32,89	1,7668	n.a.	1,6884
Michigan	2,578,720	131,575	60,502	2,770,797	15,45	7,40	5,28	14,13	0,9465	0,4786	0,3297
Minnesota	1,667,257	71,006	39,583	1,777,846	19,19	5,50	3,89	16,17	1,2198	0,3511	0,2400
Mississippi	170,699	88,373	16,569	275,641	8,82	7,54	2,30	7,20	0,5285	0,4002	0,1309
Missouri	1,281,409	94,259	94,207	1,469,875	16,49	9,91	11,30	15,38	0,9628	0,5446	0,5661
Montana	53,527	52,919	13,234	119,680	10,05	12,42	3,46	8,92	0,5830	0,7030	0,1808
Nebraska	284,453	34,583	17,313	336,349	13,84	5,60	3,68	10,70	0,8592	0,3234	0,1797
Nevada	762,730	40,128	28,313	831,171	22,60	20,71	26,38	22,61	1,1754	0,8571	1,3919
New Hampshire	409,761	123,108	9,056	541,925	20,55	14,54	11,91	18,58	1,4106	0,8850	0,6187
New Jersey	5,670,701	n.a.	5,670,701	27,48	n.a.	n.a.	27,48	1,6563	n.a.	n.a.	1,6563
New Mexico	190,402	60,130	4,700	255,232	9,87	8,78	5,06	9,43	0,5854	0,4880	0,2432

Table 7: Additional OASDI Tax Assuming No Cap, Percentage Increase In OASDI Tax, And Increased Tax As A Percentage Of Personal Income In 2003

State	Additional OASDI Tax ^a (thousands of 2003 dollars)			Percentage Increase In OASDI Tax ^a			Additional OASDI Tax as a Percentage of Personal Income ^b		
	Nonmetro Counties		Total	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties
	Metro Counties	Micro	Country side	Metro	Micro	Country side	Metro	Micro	Country side
New York	11,159,473	92,690	25,624	11,277,787	31,16	5,45	4,26	29,59	1,7074
North Carolina	1,501,408	196,701	31,403	1,729,512	13,72	7,22	3,73	11,92	0,8706
North Dakota	45,367	11,357	7,311	64,035	8,05	4,94	2,92	6,13	0,5205
Ohio	4,451,762	404,574	89,248	4,945,584	27,70	16,53	14,77	25,86	1,5454
Oklahoma	352,106	47,830	55,974	455,910	9,65	4,99	9,48	8,77	0,5461
Oregon	582,749	59,534	13,648	655,931	11,29	6,80	7,19	10,53	0,6911
Pennsylvania	3,672,223	162,579	27,730	3,862,532	17,70	6,55	5,31	16,26	1,0648
Rhode Island	299,394	n.a.	n.a.	299,394	13,48	n.a.	n.a.	13,48	0,8574
South Carolina	543,383	65,319	8,926	617,628	10,20	6,42	3,01	9,30	0,6490
South Dakota	66,196	19,401	11,669	97,266	10,19	5,64	4,53	7,78	0,6293
Tennessee	1,402,536	94,392	20,686	1,517,614	18,00	6,73	2,86	15,30	1,0825
Texas	7,277,347	320,881	233,760	7,831,988	23,11	19,47	14,77	22,55	1,2445
Utah	536,672	10,347	6,494	553,513	16,04	5,73	4,61	15,09	0,9780
Vermont	56,179	39,108	23,018	118,305	11,16	9,35	8,63	9,95	0,8379
Virginia	2,626,147	26,865	51,306	2,704,318	18,26	7,87	4,37	17,01	1,1621
Washington	2,193,969	62,798	21,379	2,278,146	19,63	8,13	8,64	18,68	1,1996
West Virginia	156,385	35,269	22,997	214,651	10,27	7,44	4,48	8,55	0,5925
Wisconsin	1,126,016	102,931	44,540	1,273,487	13,41	7,49	3,80	11,64	0,8759
Wyoming	26,440	40,324	14,473	81,237	9,29	10,27	6,56	9,05	0,5152
Totals	103,286,541	4,169,386	1,964,044	109,439,971	22,53	9,75	8,07	20,81	1,2946
									0.5654
									1.1951

a. Computed by the authors based on data from: Social Security Administration, Continuous Work History Sample, 1 percent sample.

File retrieved on August 8, 2006 from:
Social Security Administration, Office of Policy

Earnings and Employment Data for Workers Covered Under Social Security and Medicare, by State and County, 2003
<http://www.socialsecurity.gov/policy/docs/statcomps/eedata/sc2003/>

b. Computed by the authors based on personal income data from: Bureau of Economic Analysis Regional Economic Information System
File retrieved on February 2, 2007 from:
Bureau of Economic Analysis, Regional Economic Information System, Local Area Personal Income Table CA1-3 for 2003
as of April 2006; <http://www.bea.gov/bearegional/reis/default.cfm#>

Figure 6: Additional OA&DI Tax Assuming No Cap As A Percentage Of Personal Income In 2003

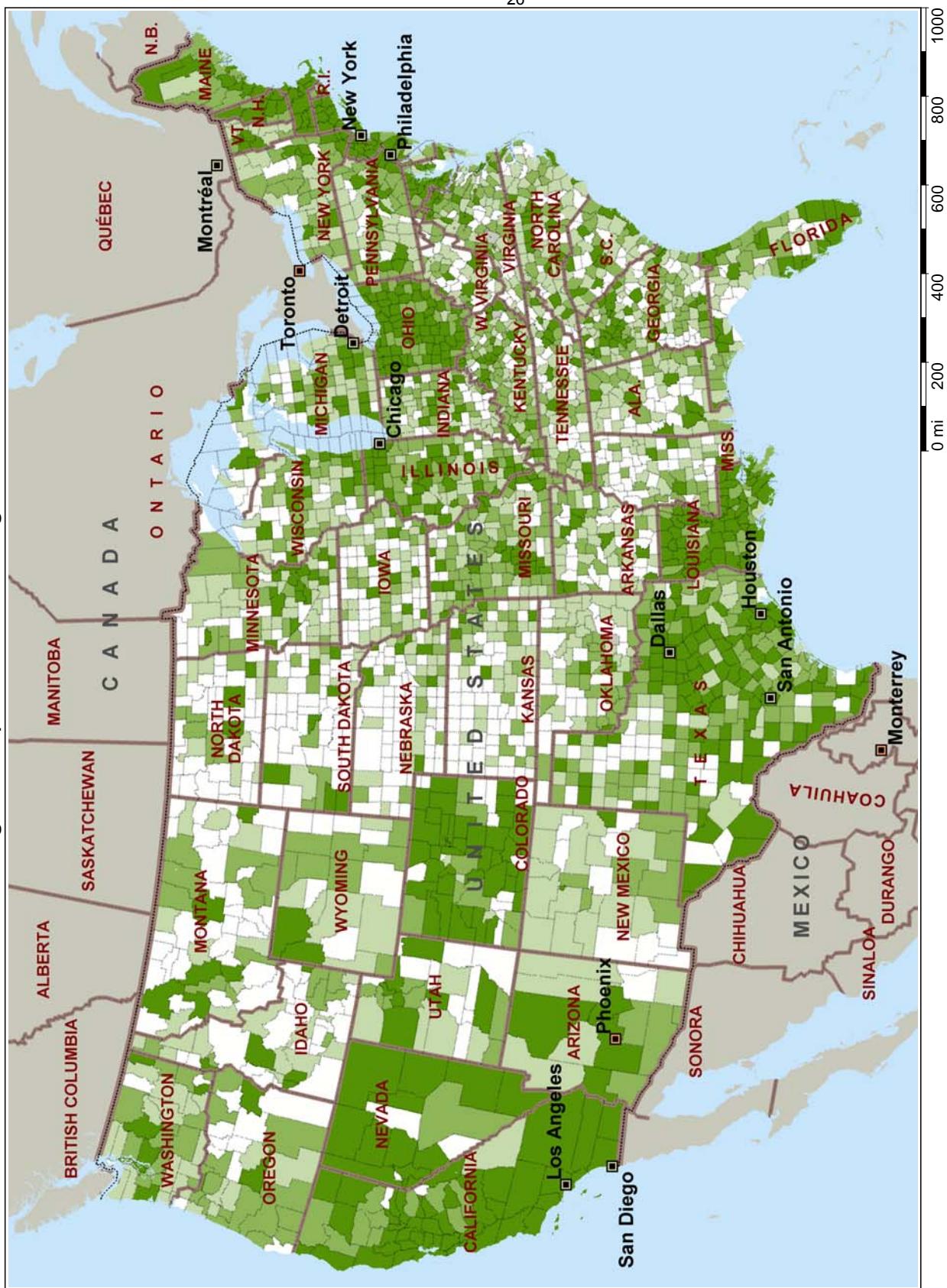


Figure 6: Additional OASDI Tax Assuming No Cap As A Percentage Of Personal Income In 2003

Income Range	Additional OASDI Tax (%)
< \$10,000	0.75 to 11.11
\$10,000-\$20,000	0.3429 to 0.74
\$20,000-\$30,000	0.0613 to 0.3428
\$30,000-\$40,000	0.00 to 0.0612

Figure 7: Households Earning \$200,000 Or More As A Percentage Of All Households In 2034

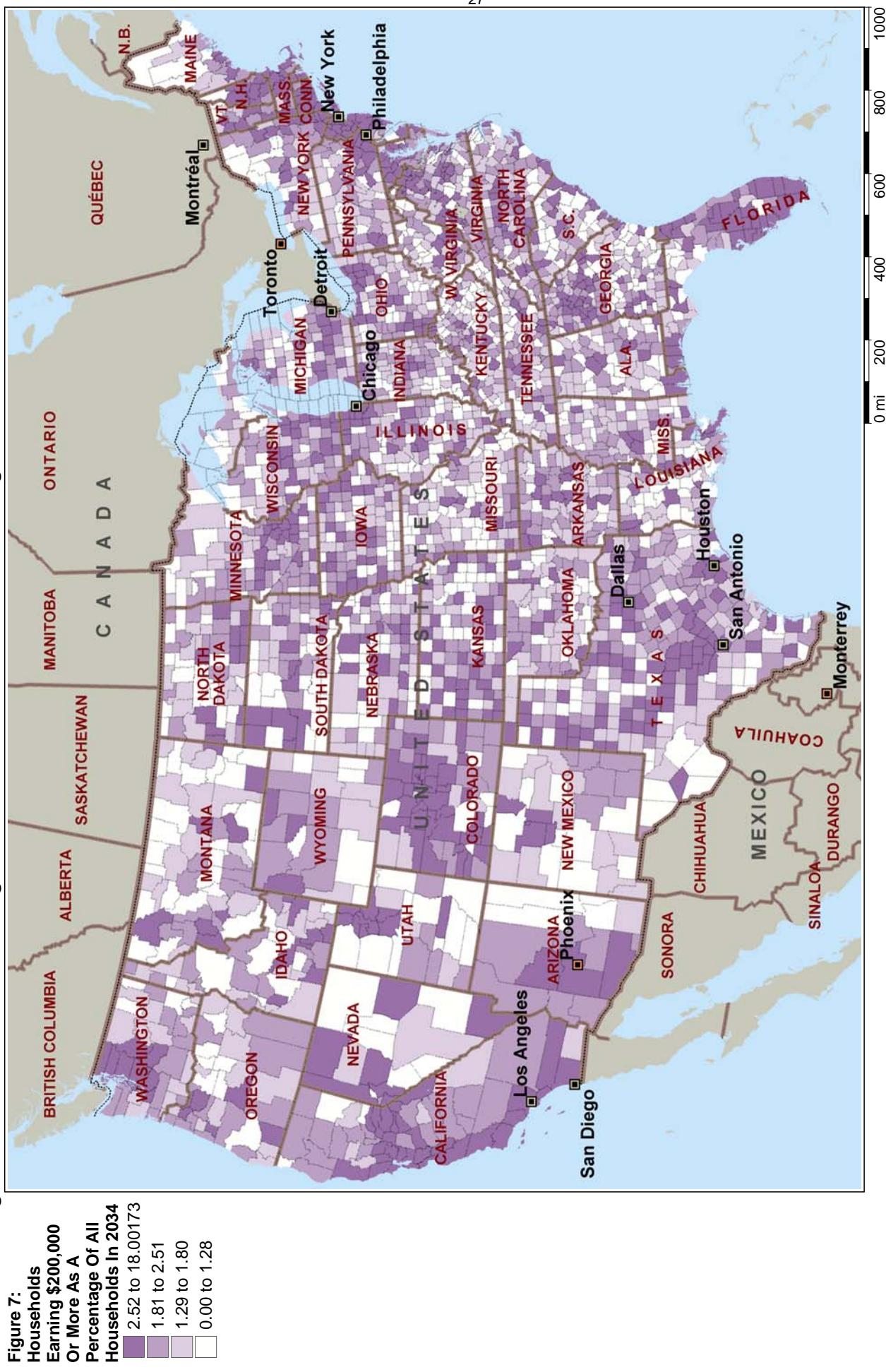


Table 8: Additional OASDI Tax Assuming An Increase In The Cap, Percentage Increase In OASDI Tax, And Increased Tax As A Percentage Of Personal Income In 2034^c

State	Increase in Social Security Taxes ^a (millions of 2034 dollars)			Total Personal Income ^b (millions of 2034 dollars)			Increase in Social Security Taxes As A Percentage Of Total Personal Income, 2034 ^c					
	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Metro Counties		Nonmetro Counties	Metro Counties		
	Metro Counties	Micro	Country side	Total	Metro Counties	Micro	Country side	Total	Metro Counties	Micro	Country side	Total
Alabama	1,354	273	91	1,718	354,155	81,508	35,649	471,313	0.38	0.33	0.25	0.36
Alaska	221	26	47	295	61,135	7,811	21,093	90,039	0.36	0.34	0.22	0.33
Arizona	3,609	155	21	3,786	752,796	49,597	14,469	816,861	0.48	0.31	0.15	0.46
Arkansas	693	153	158	1,003	189,163	48,678	45,744	283,585	0.37	0.31	0.34	0.35
California	25,902	242	110	26,254	5,045,043	66,537	28,707	5,140,287	0.51	0.36	0.38	0.51
Colorado	3,502	231	257	3,991	737,369	43,435	52,410	833,215	0.47	0.53	0.49	0.48
Connecticut	3,174	175	n.a.	3,349	528,713	39,478	n.a.	568,191	0.60	0.44	n.a.	0.59
Delaware	354	77	n.a.	431	91,770	18,769	n.a.	110,539	0.39	0.41	n.a.	0.39
Dist. Columbia	543	n.a.	n.a.	543	81,712	n.a.	n.a.	81,712	0.67	n.a.	n.a.	0.67
Florida	12,274	316	98	12,687	2,406,667	78,493	31,766	2,516,925	0.51	0.40	0.31	0.50
Georgia	4,753	230	209	5,192	987,881	79,266	70,085	1,137,232	0.48	0.29	0.30	0.46
Hawaii	416	256	n.a.	672	105,641	46,976	0	152,617	0.39	0.55	n.a.	0.44
Idaho	398	82	94	575	121,410	27,467	22,578	171,455	0.33	0.30	0.42	0.34
Illinois	8,034	252	123	8,409	1,534,800	96,800	50,380	1,681,980	0.52	0.26	0.24	0.50
Indiana	2,128	220	70	2,418	570,608	95,275	30,113	695,996	0.37	0.23	0.23	0.35
Iowa	717	135	189	1,041	193,094	48,533	73,622	315,249	0.37	0.28	0.26	0.33
Kansas	1,105	140	101	1,346	238,739	54,822	35,939	329,500	0.46	0.26	0.28	0.41
Kentucky	1,115	201	187	1,503	281,292	70,875	78,446	430,614	0.40	0.28	0.24	0.35
Louisiana	1,323	134	48	1,505	360,464	64,496	21,011	445,971	0.37	0.21	0.23	0.34
Maine	361	52	77	490	90,354	17,557	36,437	144,348	0.40	0.30	0.21	0.34
Maryland	4,062	123	25	4,210	829,954	29,653	8,408	868,015	0.49	0.41	0.30	0.49
Massachusetts	4,749	n.a.	37	4,786	962,791	n.a.	5,412	968,204	0.49	n.a.	0.68	0.49
Michigan	4,106	303	187	4,596	977,809	105,398	72,269	1,155,475	0.42	0.29	0.26	0.40
Minnesota	2,704	241	146	3,092	591,034	78,554	61,123	730,712	0.46	0.31	0.24	0.42
Mississippi	525	260	124	909	145,595	83,794	44,819	274,208	0.36	0.31	0.28	0.33
Missouri	2,025	201	156	2,382	528,331	72,942	62,879	664,152	0.38	0.28	0.25	0.36
Montana	119	109	78	305	37,660	34,501	27,580	99,741	0.32	0.31	0.28	0.31
Nebraska	468	99	76	643	136,428	39,451	32,167	208,046	0.34	0.25	0.24	0.31
Nevada	1,598	80	36	1,714	368,501	23,051	10,919	402,472	0.43	0.35	0.33	0.43
New Hampshire	528	204	30	761	127,370	55,615	6,934	189,919	0.41	0.37	0.43	0.40
New Jersey	7,841	n.a.	n.a.	7,841	1,373,196	n.a.	n.a.	1,373,196	0.57	n.a.	n.a.	0.57
New Mexico	569	140	22	732	159,088	49,205	8,658	216,951	0.36	0.28	0.26	0.34

Table 8: Additional OASDI Tax Assuming An Increase In The Cap, Percentage Increase In OASDI Tax, And Increased Tax As A Percentage Of Personal Income In 2034

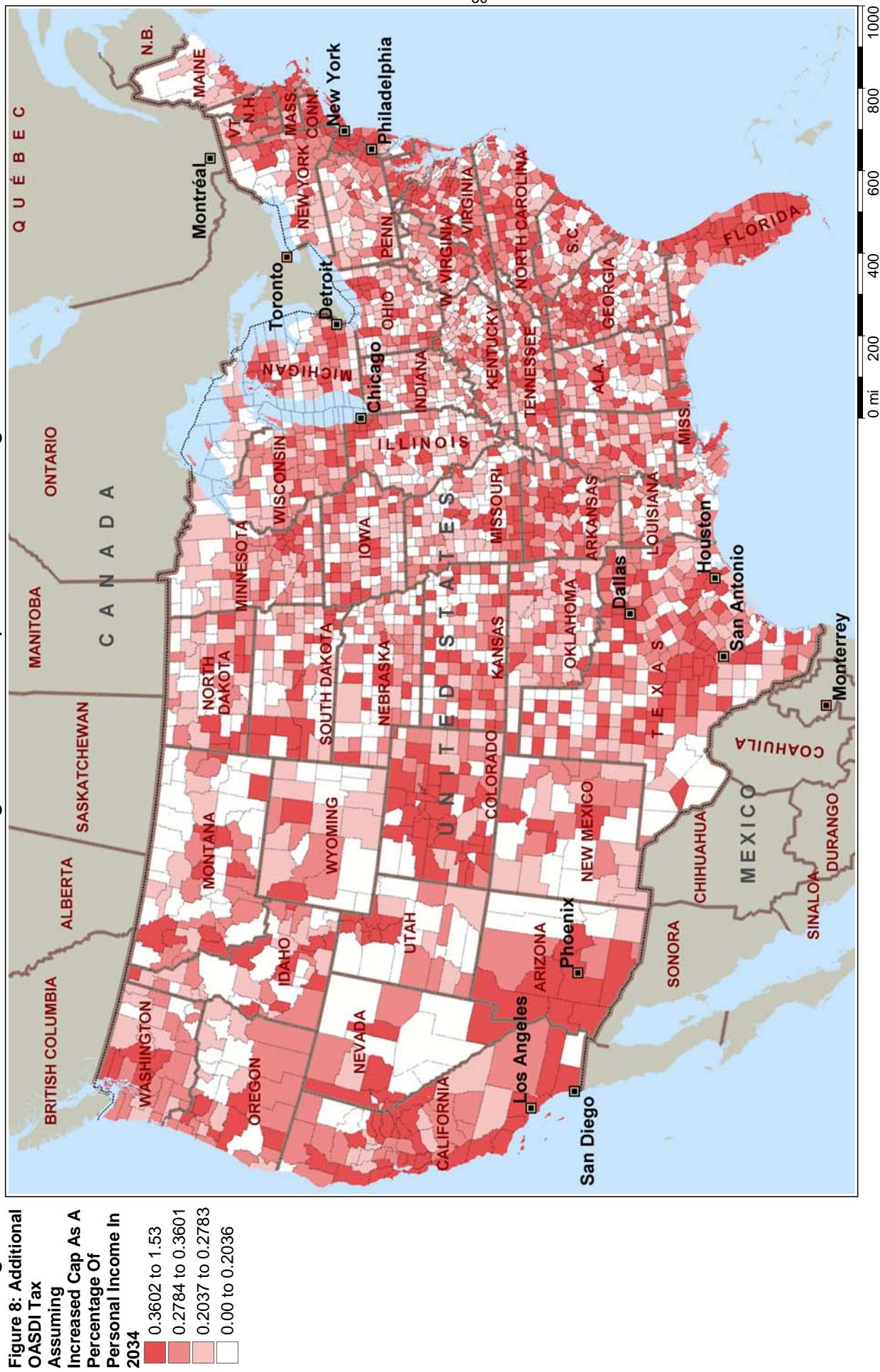
State	Increase in Social Security Taxes ^a (millions of 2034 dollars)			Total Personal Income ^b (millions of 2034 dollars)			Increase in Social Security Taxes As A Percentage Of Total Personal Income, 2034 ^c		
	Metro Counties	Nonmetro Counties		Metro Counties	Nonmetro Counties		Metro Counties	Nonmetro Counties	
		Metro Counties	Country side		Metro Counties	Country side		Metro Counties	Country side
New York	11,782	217	96	12,095	2,380,897	94,400	35,811	2,511,107	0.49
North Carolina	3,384	596	177	4,157	766,519	189,928	63,312	1,019,759	0.44
North Dakota	123	33	39	195	35,865	14,008	17,044	66,917	0.34
Ohio	4,308	394	101	4,803	1,074,842	155,155	41,912	1,271,909	0.40
Oklahoma	880	163	122	1,164	260,867	65,581	44,503	370,950	0.34
Oregon	1,561	171	37	1,769	372,831	65,583	13,817	452,230	0.42
Pennsylvania	5,135	348	78	5,562	1,272,009	143,935	33,953	1,449,896	0.40
Rhode Island	495	n.a.	n.a.	495	126,301	n.a.	n.a.	126,301	0.39
South Carolina	1,359	322	42	1,723	366,165	77,407	20,308	463,880	0.37
South Dakota	150	75	38	263	45,672	22,833	18,726	87,230	0.33
Tennessee	2,417	266	140	2,823	557,467	96,203	51,193	704,863	0.43
Texas	12,323	438	382	13,142	2,750,817	144,863	127,908	3,023,587	0.45
Utah	1,264	37	27	1,328	298,415	15,031	12,397	325,842	0.42
Vermont	95	97	58	250	26,327	28,269	18,450	73,046	0.36
Virginia	5,356	65	234	5,655	1,024,593	24,495	68,019	1,117,107	0.52
Washington	3,397	156	86	3,639	821,721	55,832	25,195	902,748	0.41
West Virginia	257	94	101	452	90,845	33,180	33,940	157,964	0.28
Wisconsin	1,952	234	202	2,388	508,828	80,721	75,318	664,867	0.38
Wyoming	42	114	34	190	17,750	29,495	14,829	62,074	0.24
Totals	157,549	8,930	4,794	171,273	33,769,295	2,945,452	1,706,253	38,421,000	0.47

a. Computed by the authors based on data from Social Security Administration projections

b. Computed by the authors based on personal income data from: Bureau of Economic Analysis Regional Economic Information System and Woods & Poole Economics

c. Computed by the authors

Figure 8: Additional OASDI Tax Assuming Increased Cap As A Percentage Of Personal Income In 2034



number of high-income households.⁶ Figure 7 shows the location of the high-income households. Table 8 and Figure 8 present the increased tax burden relative to income.

The two approaches differ in two important respects: a) the proportion of earnings which would be added to the Social Security tax base and b) the year in which consequences were assessed. The following discussion integrates the findings from the two approaches.

In contrast to the other policy options, rural communities would fare much better than urban places if the ceiling on taxable earnings were to be raised. The analysis which assumed all earnings would be taxed found that taxes as a percent of personal income would increase in micropolitan and rural countryside communities by only 0.44 and 0.35 times respectively the increase in metropolitan areas. The approach focused on raising the taxable base to 90 percent of earnings found that taxes as a percent of personal income would increase in micropolitan and rural countryside communities by 0.64 and 0.60 times respectively the increase in metropolitan areas. Many things could account for the differences. This study hypothesizes that the very high earnings that would be taxed in the first approach, but not in the second, are more disproportionately earned in urban communities than the earnings in the 83-90 percent portion of the earnings distribution. The point to be emphasized is that both approaches estimated rural communities would find the increased tax to be a substantially smaller proportion of total income than would occur in metropolitan communities; the former would likely be 0.4-0.6 of the latter.

The rural communities experiencing the smallest increases in taxes relative to income would tend to be in the Great Plains or in the South. This pattern is apparent in the results for both analytic approaches. Within this overall pattern the two approaches produce somewhat different results, as illustrated by the following examples. Mississippi rural communities are among those with the smallest increases in the analysis focused on 2003 while rural communities in neighboring Louisiana are among those with the smallest increases in the projections for 2034. Rural communities in Nebraska and Kansas, that is, the middle Great Plains, are more prominent among those with small increases in the 2003 analysis while rural communities in North Dakota and South Dakota, that is, the northern Great Plains, are more prominent in the 2034 analysis. We suggest the analyses provide a strong foundation for concluding rural communities in the Great Plains and the South would likely be among the communities with the smallest increases in taxes relative to income. However, the reader should be cautious about concluding which portions of the rural Great Plains and rural South would be least affected.

The urban places with the largest increases in taxes relative to income would tend to be in the large metropolitan complexes oriented around New York; Washington, D.C.; Chicago; San Diego; Los Angeles; and San Francisco. Both analytic approaches yielded this result. Not surprisingly, the approaches also produced differences that are potential topics for follow-up analysis. For example, communities in Ohio tended to be among those with the largest increases in taxes relative to income in the 2003 analysis, but this was not especially the case in the 2034 analysis. For an example in the reverse direction, Florida communities tended to be among those with the largest increases in taxes relative to income in the 2034

⁶ Woods & Poole. (2005) Complete U.S. Database on CD-ROM. 1794 Columbia Road, NW, Suite 4, Washington, DC 20009-2808.

projections but quite typical of the national average in the 2003 analysis. As suggested in the case of rural communities and regions, the analysis provides a strong basis for concluding the communities with the largest increases in taxes relative to income would tend to be in large metropolitan complexes. However, exceptions to this general pattern would occur, and these exceptions are not necessarily revealed by this analysis.

Policy Option: An Example of a Synthesis that is Geographically Neutral

Many policy proposals include elements of two or more of the options presented above. The resulting consequences for communities can be roughly estimated by computing the weighted average of the component parts of the proposal. For example, assume policy makers want to know the consequences of reducing the Social Security deficit by an amount equal to one percent of personal income as of 2034. In addition, assume the burdens of the proposal would be distributed as follows: 1/2 to increasing the share of earnings taxed, 1/3 to an increase in the full retirement age, and 1/6 to a reduction of benefits for beneficiaries with higher benefits. Using the information in Tables 4, 5 and 8 for the nation (using unrounded estimates in the underlying source tables) and prorating to achieve the desired proportions, we produce the estimates in Table 9.

Table 9. An Example of a Geographically Neutral Synthesis, Showing the Impacts of Three Policy Provisions Relative to Income in 2034, percent

Policy Provision	Rural			U. S. Total
	Metro- politan	Micro- politan	Country- side	
Increase the Share of Earnings Subject to Taxation	0.52	0.34	0.32	0.50
Increase the Full Retirement Age	0.31	0.45	0.50	0.33
Reduce the Upper Tier of Benefits	0.17	0.20	0.19	0.17
Total Impact of All Three Provisions	1.00	0.99	1.00	1.00

If this modification of Social Security policy were to be adopted, this study estimates rural and urban communities would, on average, have virtually identical proportions of their incomes devoted to the policy change. That is, communities across the rural-urban spectrum would experience, on average, the same proportion of the cost, relative to their income, required to achieve the national benefit of a more sustainable national economy. The benefits of a more sustainable national economy would likely be similarly widespread.⁷

⁷ The detailed results for this policy option are available on the web site of NCFAP at <http://www.ncfap.org/SocialSecurity.html> and then click on "Web Table 9" and "Web Figure 9". While the option is, on average, neutral over the rural-urban spectrum, many regions of the country would experience consequences differing from the national average. For

Additional Information

A five-page policy brief summarizing the national results is available on the web site of the National Center for Food and Agricultural Policy (NCFAP) at <http://www.ncfap.org/SocialSecurity.html> and then click on the link below “Policy Brief”. Similarly, this report is available on the NCFAP web site noted above by clicking on the link below “Full Report”. Both reports are also available by request to the National Center at telephone number 202-328-5183 and address 1616 P Street, N.W., Suite 100, Washington, DC 20036 and by e-mail to ncfap@ncfap.org.

The most detailed information is available on the web site <http://www.ncfap.org/SocialSecurity.html> in multiple files. One file contains a detailed description of the methodology. Other files contain tables with estimates for all counties of the U.S. comparable in scope to the subject matter presented for states in the full report. A map of U.S. counties, analogous to those in the full report, is available for the geographically neutral option.

Appendix: Summary of Analytic Methods and Sources

The U.S. Social Security Administration web site (<http://www.ssa.gov>) was the source of historical information on beneficiaries and benefits. The study made particularly intensive use of the following portions of the site: OASDI Beneficiaries by State and County; Earnings and Employment Data for Workers Covered Under Social Security and Medicare, by State and County; Annual Report of the Trustees; Single-Year Tables consistent with the Annual Report of the Trustees; and Annual Statistical Supplement. SSA projections were sometimes the source of national benchmarks for projections for states and counties.

The U.S. Bureau of the Census web site (<http://www.census.gov>) was the source of historical information on population and of national benchmark projections of population.

The U.S. Bureau of Economic Analysis web site (<http://www.bea.gov>) was the source of historical information on personal income.

The U.S. Congressional Budget Office web site (<http://www.cbo.gov>) was the source for background material on policy options, benchmark projections of national macroeconomic variables, and estimates of the consequences of specific options for Social Security policy. The link to “Social Security Analyses” on the CBO home page leads the way to many useful sources. CBO national benchmarks were used in this study in the analyses of i) increasing the share of earnings subject to the Social Security from 83 to 90 percent and ii) reducing the upper tier of Social Security benefits.

example, New Jersey (all urban), rural New Hampshire, and rural Washington would have impacts greater than the national average. For another example, urban Colorado and rural Louisiana would have impacts significantly less than the national average. The variation is less correlated with the rural-urban spectrum for the synthesis option than for single options. In addition, the variation around the national average is smaller for the synthesis option than for single options.

Projections of demographic and economic variables by county by Woods & Poole⁸ were frequently used in this study in constructing county and state estimates. In a few cases, the projections were used without adjustment. In most cases, the distribution by county in the Woods & Poole projection was used to allocate a national benchmark from another source, commonly SSA, Census, BEA or CBO, to all U.S. counties. This procedure produced internally consistent estimates that i) incorporated the results of complex federal analyses with respect to likely consequences of policy changes as well as incorporating federal demographic and economic projections and ii) reflected the insights of Woods & Poole with respect to likely shifts in the geographic distribution of people and economic activity. The coming retirement of the baby boom population is an important example of why carefully constructed projections of the future are likely superior to simple extrapolations of superficial trends.

A detailed description of methods and sources is available at <http://www.ncfap.org/SocialSecurity.html> and then click on “Detailed Methodology and References”.

⁸ Woods & Poole. (2005) Complete U.S. Database on CD-ROM. 1794 Columbia Road, NW, Suite 4, Washington, DC 20009-2808.