Since World War II, average Old-Age and Survivors Insurance (OASI) contributions per worker have grown much faster than average hourly compensation. Large benefit expansions during the 1950s, 60s, and 70s meant generous rates of return for those born before 1930. However, current rules and demographics make it likely that workers born after 1945 will reap extremely low returns.

Because of the postwar benefit expansions, the OASI trust fund has accumulated less money to finance future benefits. Moreover, from 1937 to 1989, returns on the trust fund portfolio (required by statute to contain government securities exclusively) averaged only 0.6% per year after inflation—a poor return compared to common stocks. Finally, because they are either transferred to older generations as benefits or are lent to the government, all current contributions are consumed rather than invested in income-generating assets. Therefore, the contributions are actually investments in claims on future workers' earnings. Moreover, the baby boomers' impending retirement will significantly lower the future earnings base by reducing the number of workers per retiree. Thus, maintaining current benefit levels would mean imposing tax rates that are economically and politically infeasible. Reduced benefits for future retirees seem unavoidable.

Today's workers would probably be better off investing in private capital markets. Indeed, historical data suggest that this might cut their risk, since the minimum returns on investments in U.S. common stocks held for 20 years or more have been higher than those on long- and intermediate-term government bonds.