



# Turn Maine Blue

Maine's community based blog for progressive politics

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## **Teresa Ghilarducci: Guaranteed Retirement Accounts**

By Gerald Weinand

A couple weeks back, The Frances Perkins Center hosted the symposium The New Deal, and the keynote speaker was Teresa Ghilarducci, professor of economics at the **New School for Social Research** in New York City.

She began her talk by comparing FDR's response to the Great Depression to that of today by the Obama administration. Of the four key things that FDR did, Obama has so far done only two:

1. Shore up the banking sector to restore confidence in it by the American people. Not only did FDR send in regulators, but *criminal investigators*, so that the public understood that those that profited from illegal means would not be allowed to escape with impunity. Obviously, not only have those responsible for creating the Big Shitpile not being prosecuted, but they are being rewarded for their misdeeds.
2. Provide massive Federal spending to stimulate the economy. These last two actions have not been undertaken by Obama:
3. Income maintenance programs, ensuring that pensions and health care are guaranteed to workers. FDR created unemployment compensation and the Social Security System. In Maine, there are 700,000 workers, along with 300,000 people receiving Social Security payments. It is time to increase the minimum amount paid to the elderly, and end poverty to those oldest amongst us.
4. The Federal government is to be the employer of last resort. When one considers the long list of projects built by the New Deal programs, as well as the other projects that recorded personal histories, folk songs, wrote and produced plays, created murals, etc.

This is the major failure of the stimulus bill that Congress recently passed - not only is the Fed not directly creating jobs, but it is not creating a legacy. Ghilarducci would like to see the amount of spending on the stimulus doubled, and many other economists, including Paul Krugman, agree. She also sees a single payer health care system as the only real solution, a Medicare for all approach.

And in the wake of the collapse of Wall Street that crushed many 401k's, her most intriguing idea is to create Guaranteed Retirement Accounts:

This paper proposes a rescue plan for the American retirement income security system, based on a mixed system composed of Social Security, employer defined-benefit pension plans, and a new type of personal

retirement savings account called a Guaranteed Retirement Account (GRA). This rescue plan will not work without a strong defined-benefit pension system and a strong Social Security system. Tax breaks for 401(k)-style plans and IRAs will be converted into flat tax credits to offset the cost of these new accounts, so the plan will improve the retirement security of most Americans without costing taxpayers more than the current system.

The plan calls for all workers not enrolled in an equivalent or better defined-benefit pension to enroll in a GRA, a plan that borrows the best features of defined-benefit and defined-contribution plans, including guaranteed retirement benefits that last a lifetime, low administrative costs, and steady contributions. With GRAs, workers will accumulate savings in investment funds that earn a rate of return guaranteed by the federal government. These funds will be converted to life annuities upon retirement. Along with Social Security benefits, these will replace approximately 70% of pre-retirement earnings for the typical retiree.

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