

The Role of Stock-Flow Reasoning in Understanding the Social Security Trust Fund

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Key Findings and Policy Implications

This paper explores how the framing of communications about Social Security and the Social Security Trust Fund affect people's perceptions and expectations about Social Security benefit sustainability in the future. It focuses specifically on "stock-flow" reasoning errors and inconsistencies, and how stock versus flow presentations differentially affect program expectations. The paper reports on three experimental studies.

- In Studies 1 and 2 we randomly assign participants to see information about the trust funds over time presented as a stock (i.e., a financial asset balance) or in terms of flows (i.e., tax revenue streams into the trust fund and benefit payment streams out of the trust fund). We find that those who see the stock presentation are significantly more likely to expect benefits to go away completely after trust fund depletion.
- In a third study, we show that explicitly prompting participants to reflect on the continuity of the inflows (via payroll taxes) significantly reduces this common misunderstanding even further.

For American workers anticipating receiving Social Security retirement (OASI) benefits during their retirement, the solvency of the Social Security system is a relevant and pressing concern. Because media headlines often emphasize the Social Security trust fund balance running to zero, non-experts may arrive at the erroneous conclusion that Social Security benefits will dry up too. In this project, we demonstrate that the faulty reasoning about the relationship between the trust funds balance and the end of benefits result at least in part from a "stock-flow" reasoning error.

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