



The Heritage Foundation

Background

Executive Summary

No. 1185

June 2, 1998

HOW GOVERNMENT POLICIES DISCOURAGE SAVINGS

DANIEL J. MITCHELL

There is a strong case to be made that the overall savings rate in America is too low, and policy-makers are justifiably concerned. Savings are the key to capital formation, and every economic theory—including Marxism—teaches that capital formation is necessary to raise wage levels and create long-term economic growth.

Some believe America's low savings rate is the fault of shortsighted individuals and businesses. In reality, however, the primary culprit is misguided government policy. Specifically, the combined effects of the tax code and various government spending programs discourage savings and depress the savings rate. For instance:

- The **tax code**, by imposing multiple layers of taxation on capital, reduces the incentives for consumers and businesses to save and invest. As the chart below shows, this treatment creates a bias toward consumption.
- Government programs, especially **Social Security**, eliminate or reduce many of the traditional reasons that motivate households to save.

American consumers and businesses are not being foolish and shortsighted in choosing to spend rather than save for the future. The nation's

low savings rate is a logical response to the perverse incentives not to save that have been created by politicians. If anything, it is a tribute to the American people that the overall savings rate is not even lower. Instead of blaming others, lawmakers who want to boost the savings rate should work to change policies that discourage savings. In particular, Americans would save more if legislators were to:

- **Eliminate** the bias against savings in the tax code, preferably by scrapping the Internal Revenue Code and replacing it with a simple and fair flat tax. A flat tax would eliminate the present system's multiple taxation of capital.
- **Replace** the bankrupt, low-return Social Security system with a system that allows individuals to build up nest eggs in privately managed accounts. If Australia, Britain, Chile, Hungary,

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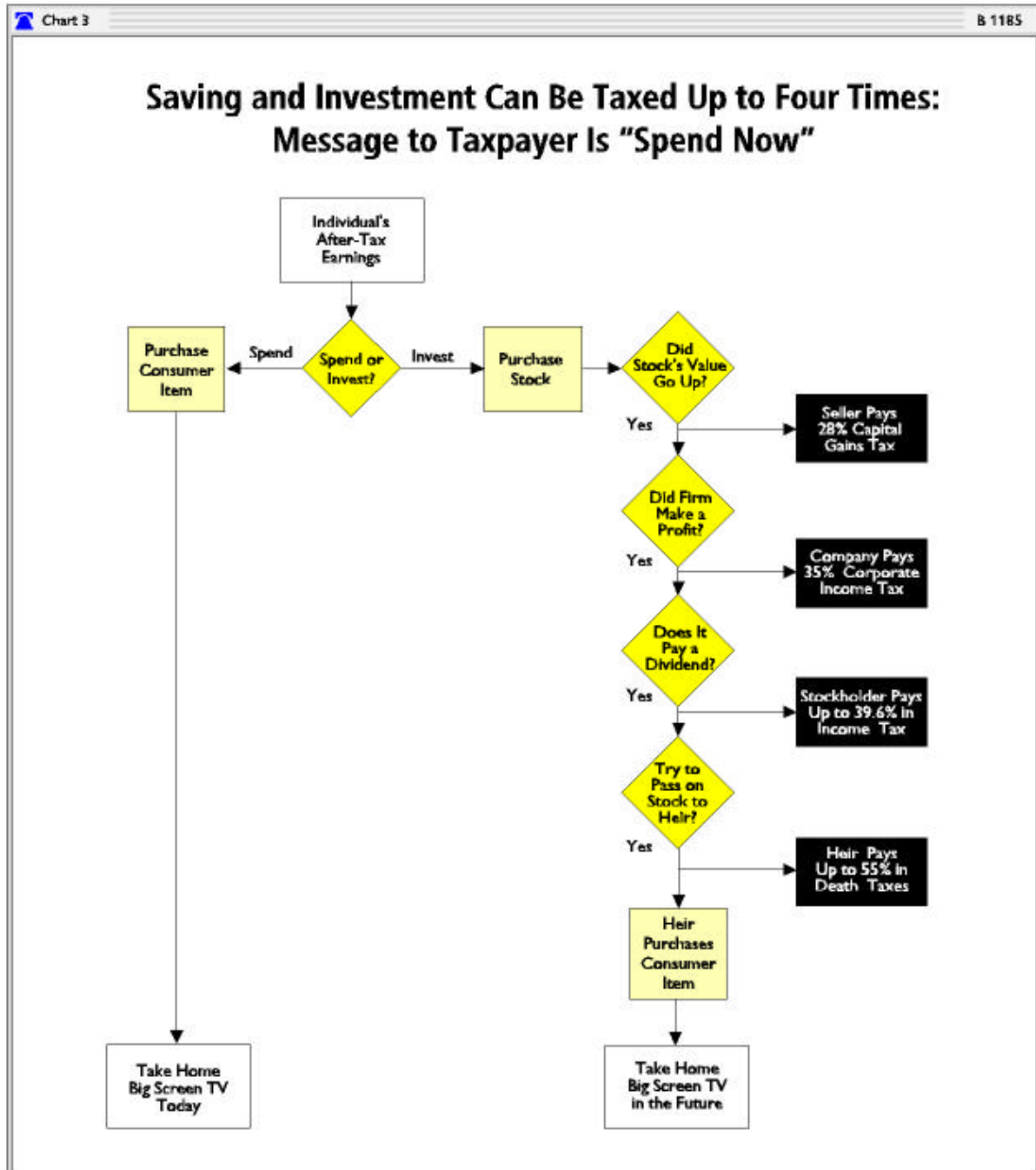


and Mexico can do it successfully, so can the United States. For example, private savings accounts in Australia already contain more than AU\$300 billion in assets.

- **Reform** health care entitlements and other government spending programs that weaken incentives for individuals to plan for and control their own lives by saving for the future.

America is not suffering from a savings crisis, but the savings rate certainly could be higher. The way to increase savings is to fix government policies that penalize savings and remove the incentives to save.

—Daniel J. Mitchell is McKenna Senior Fellow in Political Economy at The Heritage Foundation.





The Heritage Foundation
Backgrounder

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HOW GOVERNMENT POLICIES DISCOURAGE SAVINGS

DANIEL J. MITCHELL

For years, policymakers have worried that America's savings rate is too low. International comparisons often show that the United States has one of the lowest savings rates in the world. These numbers generate widespread anxiety, and for good reason. Savings are the key to capital formation, and every economic theory—even Marxism—teaches that capital formation is necessary to raise wages and stimulate long-term economic growth.

To some degree, the low rate of savings has been overstated. Comparisons between the United States and other nations, for example, sometimes are based only on personal savings rates. Such a comparison does not provide an accurate picture of total savings, however, since it does not include the reinvested earnings of companies. Another common mistake occurs when observers focus solely on the percentage of income that is saved in any given time period. This measurement of "flow" ignores changes in the existing "stock" of savings. Yet increases in the value of stores of wealth, such as stocks and bonds, are just as important to the economy as the additional amounts of savings generated out of annual income.

Nonetheless, there is a strong case to be made that America's savings rate is lower than it should

be. Some believe that Americans are too consumer-oriented and that corporate management ignores long-term needs by placing too much emphasis on quarterly profits. As it turns out, the major culprit is misguided government policy. The tax code and various spending programs combine to depress the savings rate and discourage savings. More specifically:

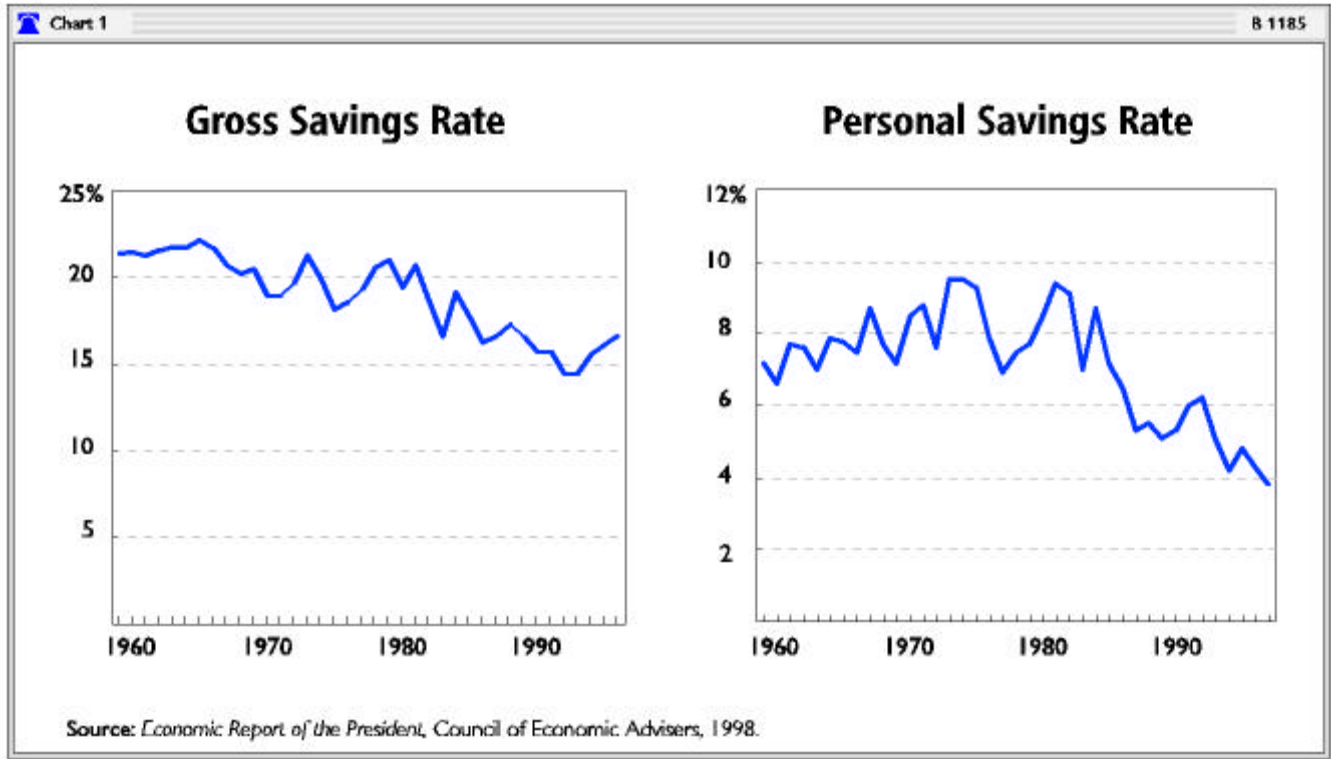
- The tax code, by imposing multiple layers of taxation on capital, reduces the incentives to save and invest and creates a bias toward consumption.
- Government programs, especially Social Security, eliminate or reduce many of the traditional reasons that motivate households to save.

In other words, government policy has undermined the incentives to save. The tax code is

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heavily biased against savers. Taxes on interest, dividends, capital gains, and estates raise the cost of savings versus consumption and drain capital from the economy.

Government spending is equally hostile to sav-
ings. Individuals used to save for their retirement;
now the government forces them to participate in
Social Security. They used to save for health care
expenses; now they rely more and more on Medi-
care, Medicaid, and other government health pro-
grams. Families used to save to buy a home or
send their children to college; government pro-
grams now subsidize those activities as well.
Workers used to save in case they lost their jobs;
government now has an unemployment insurance
program.

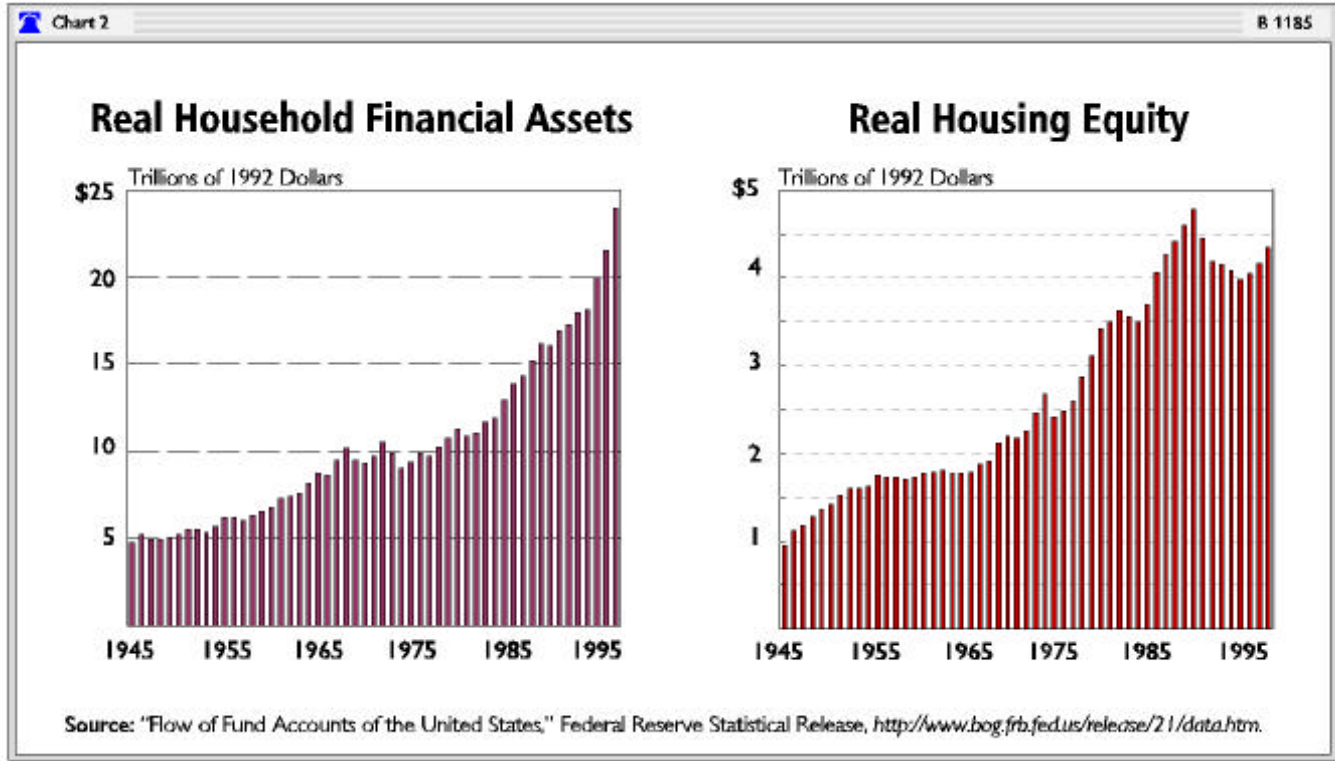
American consumers and businesses are not
foolish and shortsighted. They are responding log-
ically to the perverse incentives created by politi-
cians. If anything, it is a tribute to the American
people that the nation's savings rate is not even
lower. Instead of blaming others, lawmakers who
want to boost the savings rate should work to
change the policies that undermine the reasons to

save. In particular, savings would increase if
legislators would:

- **Eliminate** the bias against savings in the tax code, preferably by scrapping the Internal Revenue Code and replacing it with a simple and fair flat tax. A flat tax would abolish the present system's multiple taxation of capital.
- **Replace** the bankrupt, low-return Social Security system with a system that allows individuals to build up retirement nest eggs in privately managed accounts. If Australia, Britain, Chile, Hungary, and Mexico can do it, so can the United States.
- **Reform** health care entitlements and other government spending programs that weaken incentives for individuals to plan and control their own lives by saving for the future.

HOW TO MEASURE SAVINGS

Savings is a store of wealth and usually can be converted into cash without great difficulty. A traditional bank account is probably the first thing



that comes to mind, but there are many types of "savings." These include stocks and bonds, retained business earnings (the profit not distributed to shareholders), and any income that is invested rather than consumed.

Savings and investment are different sides of the same coin. Savings typically can be converted quickly to cash, though certain types of savings, such as pension funds, and individual retirement accounts (IRAs), are designed to foster long-term savings. Savings usually generate income for the saver. Some people, however, invest in gold, land, and collectibles in the belief that traditional forms of savings are too risky or that these assets will increase in value.

There is no consensus about how to measure savings. Is it the value of all financial assets? Should it include the value of land, collectibles, owner-occupied housing, and consumer durables? The savings rate measures how much income is saved in any given period. This is a "flow" measure. Chart 1 shows the personal savings rate and the gross savings rate (which includes business savings).

Interestingly, the personal savings rate data released by the government are not based on an estimate of actual savings. Instead, the rate is calculated by subtracting consumption from income. One problem with this measurement is that it cannot include unreported income earned in the underground economy. This means that the actual savings rate is certainly higher than officially reported.

Another way to measure savings is to calculate the "stock," which is the value of all existing savings. Chart 2 shows how the value of financial assets has increased over time and also provides a measure of the equity people have in their homes. Financial and household assets are an important store of wealth and are part of national savings.

WHY DO PEOPLE SAVE?

People who save are making a decision to consume in the future rather than today. This allows them to build wealth and protect against unforeseen expenses. Income that is saved becomes an asset. Often that asset earns income, primarily in the form of interest and dividends. Sometimes the



asset goes up in value, meaning that the individual benefits from a capital gain. If the individual re-invests earnings, the asset increases in value and the saver benefits from compounding. Ultimately, however, people save because it will allow them to consume significantly more tomorrow than they could today.

Individuals save for both the short term and the long term. A youngster mowing neighborhood lawns may save during the summer to buy a new bicycle. A young couple may save for a few years to come up with the down payment for a new house. A family may save for a decade to put a child through school. A worker may save for 40 years to ensure a comfortable retirement. An elderly couple may choose to live frugally in order to pass their savings on to their children and grandchildren. In each case, the act of savings results in consumption at some future point.

HOW THE TAX CODE PUNISHES SAVINGS AND HOW TO FIX IT

A neutral, fair tax system would not impose a higher burden on income that is saved and invested than on income that is consumed. Doing so reduces savings.¹ Yet, as Chart 3 illustrates, that is exactly what happens under current law.

The most obvious bias in the tax code is the double tax on savings. A taxpayer who spends his after-tax income incurs little or no federal tax liability. The taxpayer who saves and invests the money is not so fortunate. Even though the income was taxed when first earned, any interest or other earnings generated by that income is subject to an additional tax. To make matters worse,

because of capital gains taxes, double taxation of dividend income, and death (estate) taxes, some income is taxed three or four times.

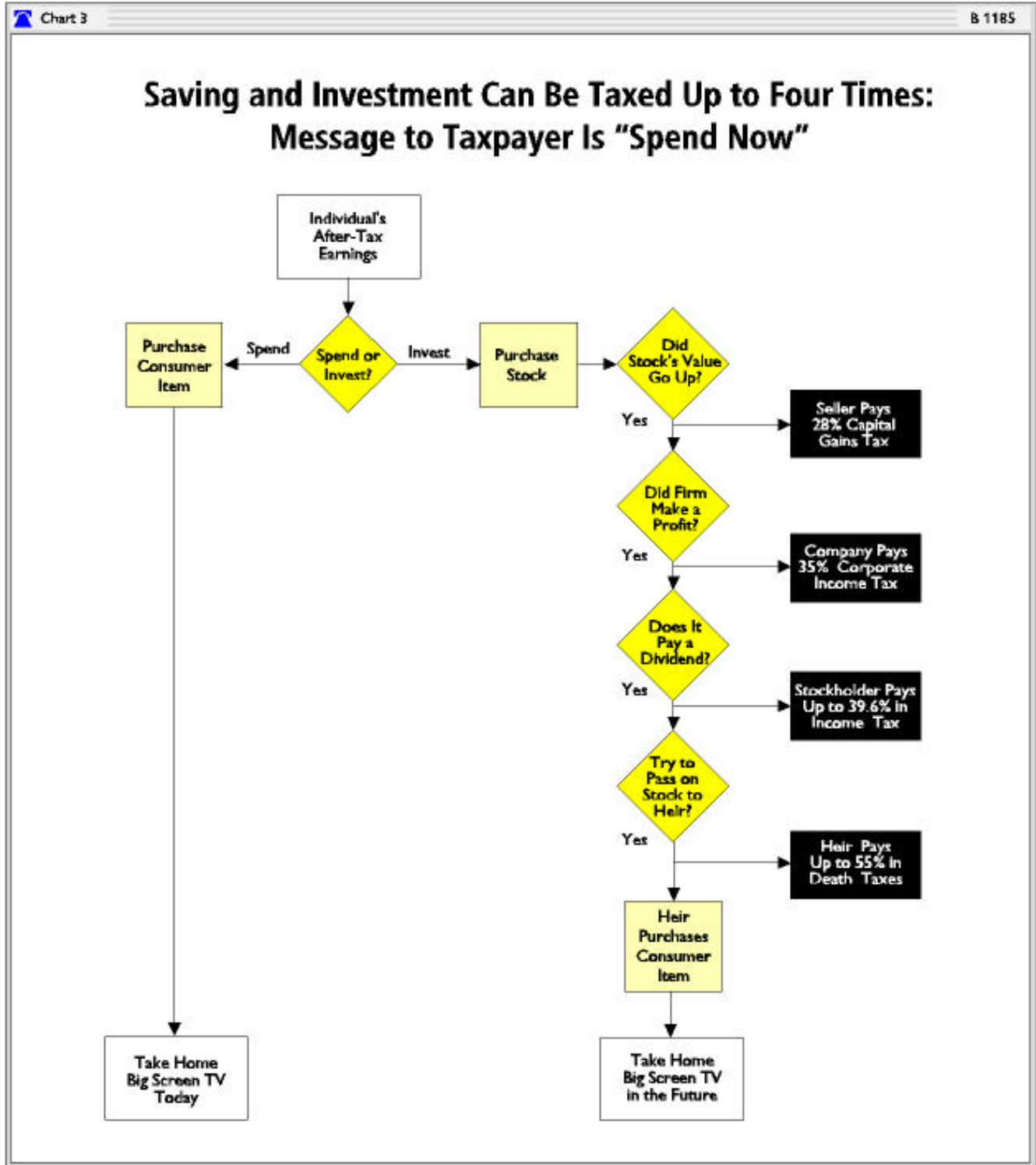
This bias against savings and investment should be eliminated. For income that is saved, this can be accomplished in one of two ways. The first would be the traditional IRA approach, which allows the taxpayer to defer taxation on income that is saved until the money is withdrawn, at which time the tax is applied to both the original income and any returns. The second approach, known as the back-ended or Roth IRA, would tax all income the year it is earned—including income that is saved—but all subsequent withdrawals, including any interest or other earnings, would be spared the second layer of tax.

A neutral tax code also would require the elimination of the capital gains tax and the death tax. The capital gains tax is nothing more than a tax on the change in the value of an asset purchased with after-tax dollars.² Taxing that gain penalizes those who save and invest rather than consume. The death tax is a levy imposed on the transfer of assets that have been accumulated with after-tax dollars. Like the capital gains tax, the death tax punishes the act of savings and drains capital from the economy.³

The double taxation of savings can be eliminated by adoption of a flat tax that treats all taxpayers and all income equally. Such fundamental reform would repeal all provisions of the current tax code—including the capital gains tax, the death tax, and the double tax on dividends—that tax income twice.

Finally, no discussion of the tax code's impact

1. Michael J. Boskin, "Taxation, Saving, and the Rate of Interest," *Journal of Political Economy*, Vol. 86, No. 2, Part 2 (April 1978), pp. S3-S28; R. Glenn Hubbard and Jonathan S. Skinner, "Assessing the Effectiveness of Savings Incentives," *Working Paper* No. 5686, National Bureau of Economic Research, July 1, 1996.
2. Gary and Aldona Robbins, "Reducing Capital Gains Tax Rates," *Issue Brief*, Institute for Policy Innovation, Lewisville, Texas, February 1995.
3. For data on the harmful impact of death taxes, see Richard F. Fullenbaum and Mariana A. McNeill, "The Effects of the Federal Estate and Gift Tax on the Aggregate Economy," *Working Paper* Series 98-01, Research Institute for Small and Emerging Business, Washington, D.C., 1998; Edward J. McCaffrey, "The Uneasy Case for Wealth Transfer Taxation," *The Yale Law Journal*, Vol. 104 (November 1994), pp. 283-365; and William W. Beach, "The Case for Repealing the Estate Tax," *Heritage Foundation Backgrounder* No. 1091, August 21, 1996.



on savings would be complete without mentioning the aggregate burden of taxation. According to the Tax Foundation, the average family now works until May 10 to earn enough income to satisfy the demands of federal, state, and local tax collectors. Forty years ago, "Tax Freedom Day" was April 9.

Losing an additional month of income to taxes has forced families to cut back in other areas. Since spending on food, shelter, and other necessities cannot be eliminated, families have had little choice but to save less.



SOCIAL ENGINEERING UNDERMINES PRIVATE RETIREMENT SAVINGS

Recognizing that the tax law penalizes savings, lawmakers have created special categories of savings that are protected from double taxation. Front-ended and back-ended IRAs are examples of this approach. The tax code also allows workers to contribute to defined-contribution plans, such as 401(k) plans. These are given front-ended IRA treatment, as are contributions to employer-provided defined-benefit plans. In each case, there is only one level of taxation, and that taxation occurs when withdrawals are made.

Unfortunately, excessive restrictions, regulations, and limitations hamper savings in all of these vehicles. These rules were imposed to prevent the “rich” from benefiting, but the result is less savings. Both types of IRAs, for example, limit the amount that can be saved and provide the proper tax treatment only to those with lower incomes. Similar limits apply to defined-contribution and defined-benefit plans. Not only do these constraints reduce the level of savings, but they also substantially increase compliance costs. The combination of reduced benefits and higher costs means that many individuals and companies decide not to participate in long-term savings.

These problems can be corrected by fundamental tax reform. Under a flat tax, for instance, all savings by individuals would receive back-ended IRA treatment. Company-provided plans, by contrast, would receive unlimited front-ended IRA treatment. As discussed earlier, both approaches eliminate the bias against savings. Since there would be no restrictions, all the compliance costs imposed by the current code would disappear.

HOW SOCIAL SECURITY PUNISHES SAVINGS AND HOW TO FIX IT

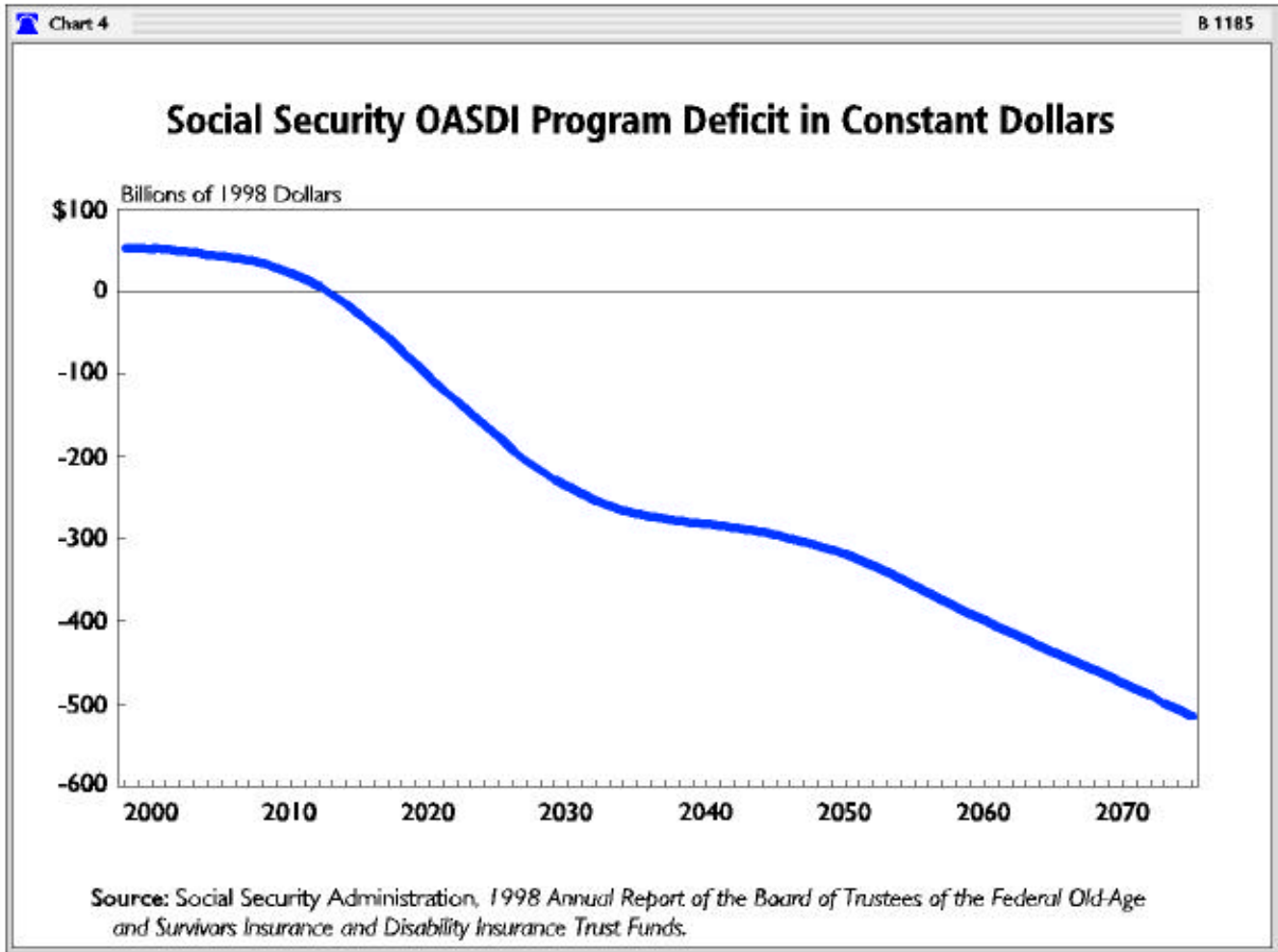
One of the primary reasons workers save is to build a nest egg for retirement. Social Security significantly reduces this reason to save by giving all seniors a monthly payment from the government.

The negative impact of Social Security on savings has been confirmed by numerous scholars. A global study conducted by the World Bank found that government systems undermine savings,⁴ and this conclusion is confirmed by the American experience. Analysis of household behavior in the United States indicates that every dollar of

perceived Social Security benefit reduces private savings by 60 cents.⁵ Even a study co-authored by a researcher at the Social Security Administration confirms that “a dollar of Social Security wealth substitutes for about three-fifths of a dollar of fungible assets.”⁶

Privatization would reverse this corrosive effect, replacing a system that drastically reduces savings with an approach based on real savings. Unlike the current system, which takes payroll taxes from workers and immediately transfers them to retirees, a private system is based on the principle that workers must set aside a certain percentage of their income every year.

4. World Bank, “Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth,” *Policy Research Report* (New York, NY: Oxford University Press, 1994).
5. Martin Feldstein, “The Missing Piece in Policy Analysis: Social Security Reform,” *American Economic Review*, Vol. 86, No. 2 (May 1996).
6. Dean R. Leimer and David H. Richardson, “Social Security, Uncertainty Adjustments, and the Consumption Decision,” *Economica* No. 59 (August 1992).



Countries that have privatized their retirement systems have seen their savings rates skyrocket. In Chile, for example, the savings rate increased by at least 150 percent during the 1980s.⁷ As Chart 5 shows, total savings in the newly privatized Australian system already has reached more than AUSS\$300 billion, and the government expects the savings rate to climb by about 3 percent of gross domestic product (GDP) by 2020.⁸

Britain's private pension pool—which already is worth over £650 billion (over \$1 trillion in U.S. dollars)—is rapidly approaching the value of the country's annual economic output. (See Table 1.) In fact, it is larger than the private pension funds of all other European countries combined.⁹ Singapore, which never made the mistake of creating a government system in the first place, has the highest savings rate in the world.¹⁰ There is every reason to think the same thing could happen here;

7. Mario Marcel and Alberto Arenas, "Social Security Reform in Chile," *Occasional Paper* No. 5, Inter-American Development Bank, 1992.

8. Daniel J. Mitchell and Robert P. O'Quinn, "Australia's Privatized Retirement System: Lessons for the United States," Heritage Foundation *Background* No. 1149, December 8, 1997.

9. Peter Lilley, British Secretary of State for Social Security, press statement, London, March 5, 1997.

10. Peter J. Ferrara, John Goodman, and Merrill Matthews, Jr., "Private Alternatives to Social Security in Other Countries," *Policy Report* No. 200, National Center for Policy Analysis, October 1995.

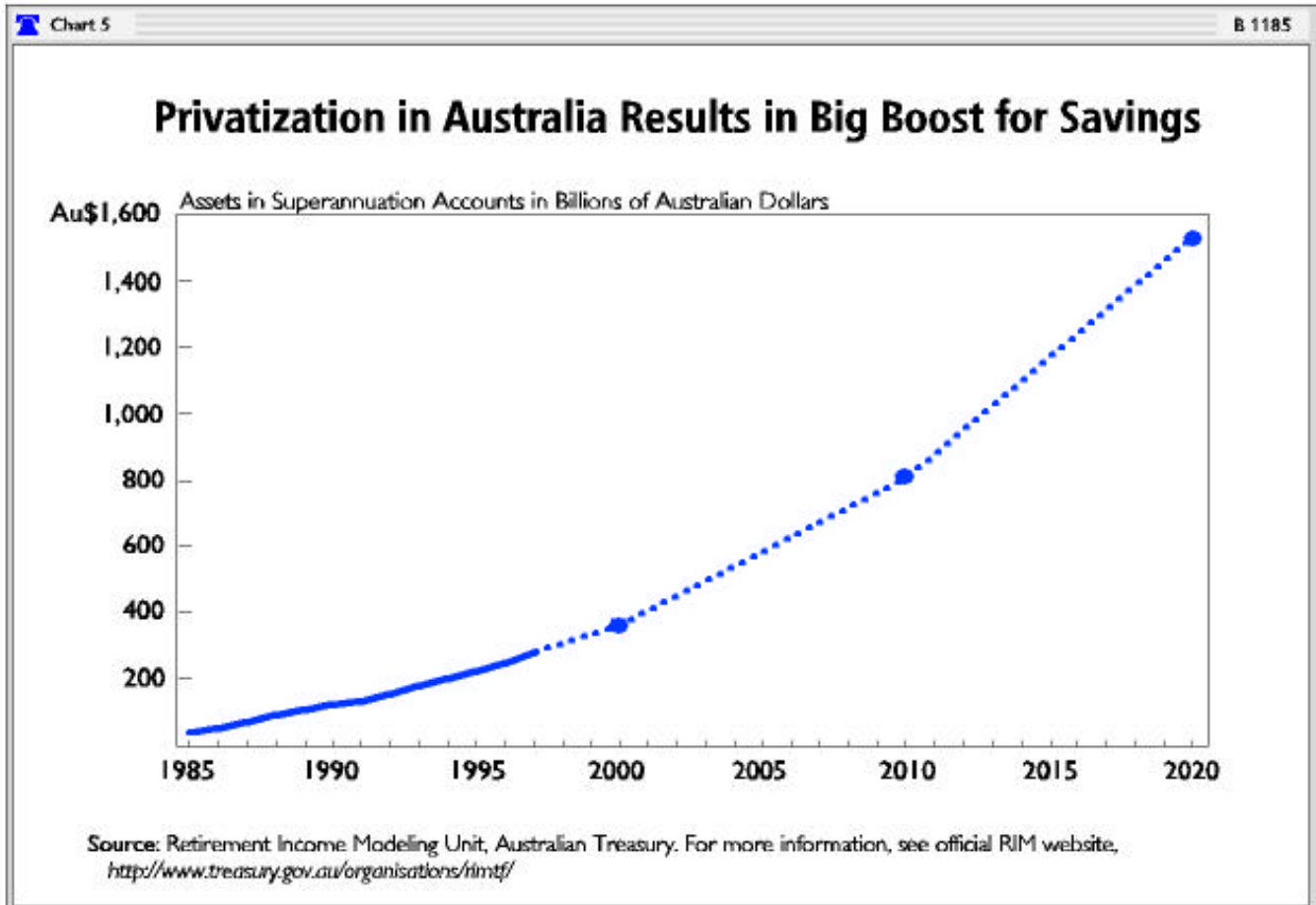


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1993 Pension Fund Assets as Share of Gross Government Debt

	General Government Gross Debt in Billions of U.S. Dollars	Pension Funds Assets in Billions of U.S. Dollars	Pension Funds Assets as a Share of Government Debt
U.K.	\$428.08	\$717.25	167.55%
Japan	1,910.74	1,800.00	93.71
U.S.	3,858.20	3,546.00	91.91
Germany	944.84	105.95	11.21
France	631.99	41.10	6.50
Italy	1,138.63	11.65	1.02

Sources: Koen Dr Ryck, *European Pension Funds: Their Impact on European Capital Markets and Competitiveness*, European Federation for Retirement Provision, 1996; Japanese Embassy.



SOCIAL SECURITY: BAD FOR SAVINGS, BAD FOR WORKERS

Reduced national savings is only one problem associated with Social Security. Another serious flaw is that the program provides only meager retirement benefits compared with the record amount of taxes that are paid into the system. This means that taxpayers face low and declining returns from Social Security. Average-income families, for instance, fare badly under Social Security relative to the return they could receive from a conservative private investment portfolio. For example:

- A married couple with two children and a single earner fares best, receiving 4.74 percent if the earner was born in 1932. This expected rate of return falls gradually to less than 2.6 percent for those born in 1976. Single males fare especially badly. An average-earning single male born after 1966 can expect to receive an annualized real rate of return of less than 0.5 percent (less than one-half of 1.0 percent) on a lifetime of payroll taxes.
- Social Security's inflation-adjusted rate of return is only 1.23 percent for an average household of two 30-year-old earners with children in which each parent made just under \$26,000 in 1996. Such couples will pay a total of about \$320,000 in Social Security taxes over their lifetime and can expect to receive benefits of about \$450,000 (in 1997 dollars before applicable taxes) after retiring. Had this average household placed that same amount of lifetime employee and employer tax contributions into conservative tax-deferred IRA-type investments—such as a mutual fund composed of 50 percent U.S. Treasury bonds and 50 percent equities—they could expect a real rate of return of over 5 percent per year prior to the payment of taxes after retirement. In this latter case, the total amount of income accumulated by retirement would equal approximately \$975,000 (in 1997 dollars before applicable taxes).
- A single male earning what the Social Security Trustees call an average income (\$25,723 in 1996) is hit particularly hard by Social Security's low returns. A 21-year-old single male making an average income throughout his lifetime can expect to lose \$309,400 in potential retirement income by staying in Social Security when compared with what he would earn if he invested his payroll taxes in a safe, conservative private retirement fund made up of 50 percent equities and 50 percent government bonds.

All demographic groups lose retirement income because of Social Security, but some are hurt more than others. Minorities are affected adversely because of lower life expectancies. Married working women are victimized by redistribution formulas that fail to account for the full value of the payroll taxes they paid.

Note: For further information on Social Security's poor rate of return, see William W. Beach and Gareth G. Davis, "Social Security's Rate of Return," Heritage Foundation *Center for Data Analysis Report* No. CDA-98-01, January 15, 1998.

one recent study, for example, estimates that privatization would boost the U.S. savings rate by 2.6 percent of GDP by 2010.¹¹

11. Neil Howe and Richard Jackson, *Natural Thrift Plan Project*, National Taxpayers Union Foundation and Center for Public Policy and Contemporary Issues, November 15, 1996.



THE IMPACT OF OTHER GOVERNMENT PROGRAMS ON SAVINGS

Social Security may be the government's biggest anti-savings program, but it is not the only one. Many other programs provide subsidies that reduce or eliminate the need for savings. Policy-makers may believe that benefits from these programs offset the damage to savings rates, but such benefits do not change the fact that the subsidies undermine savings. Consider:

- **Health Programs.** Medicare, Medicaid, and other programs provide large subsidies to consumers. These subsidies in many cases reduce or minimize the need for households to engage in precautionary savings for unexpected expenses. These programs also have supplanted private insurance, which is based on savings since companies invest premiums.
- **Education Programs.** Subsidies for higher education reduce or minimize the need for certain households to save for education expenses. Government grant and loan programs either replace savings with direct subsidies or replace savings with debt. Indeed, some of these programs undermine savings even further since students may be ineligible for handouts if the family has too many assets.
- **Housing Programs.** Through the Federal Housing Administration, the Farmers Home Administration, and the Department of Veterans Affairs, the federal government runs mortgage insurance, direct loan, and loan guarantee programs that have the effect of reducing the down payment requirement for home purchases. This increases the default rates (since owners have less to lose if they walk away from a mortgage) and the cost to government; it also gives people less reason to save.
- **Unemployment Insurance.** Workers traditionally had an incentive to set aside a portion of their income to tide them over during unexpected periods of unemployment. Often, they would participate in mutual aid societies that collected and invested premiums. The government's pay-as-you-go system

discourages these savings-based approaches by providing benefits for the unemployed.

Although it is clear that these government programs undermine savings, exactly how much they do so is not clear. Unlike tax policy and Social Security, these programs have not been subject to a great deal of research attempting to quantify their impact on the savings rate. This lack of research can be explained by the perception that the impact is relatively small compared with the effect that taxes and Social Security have on savings.

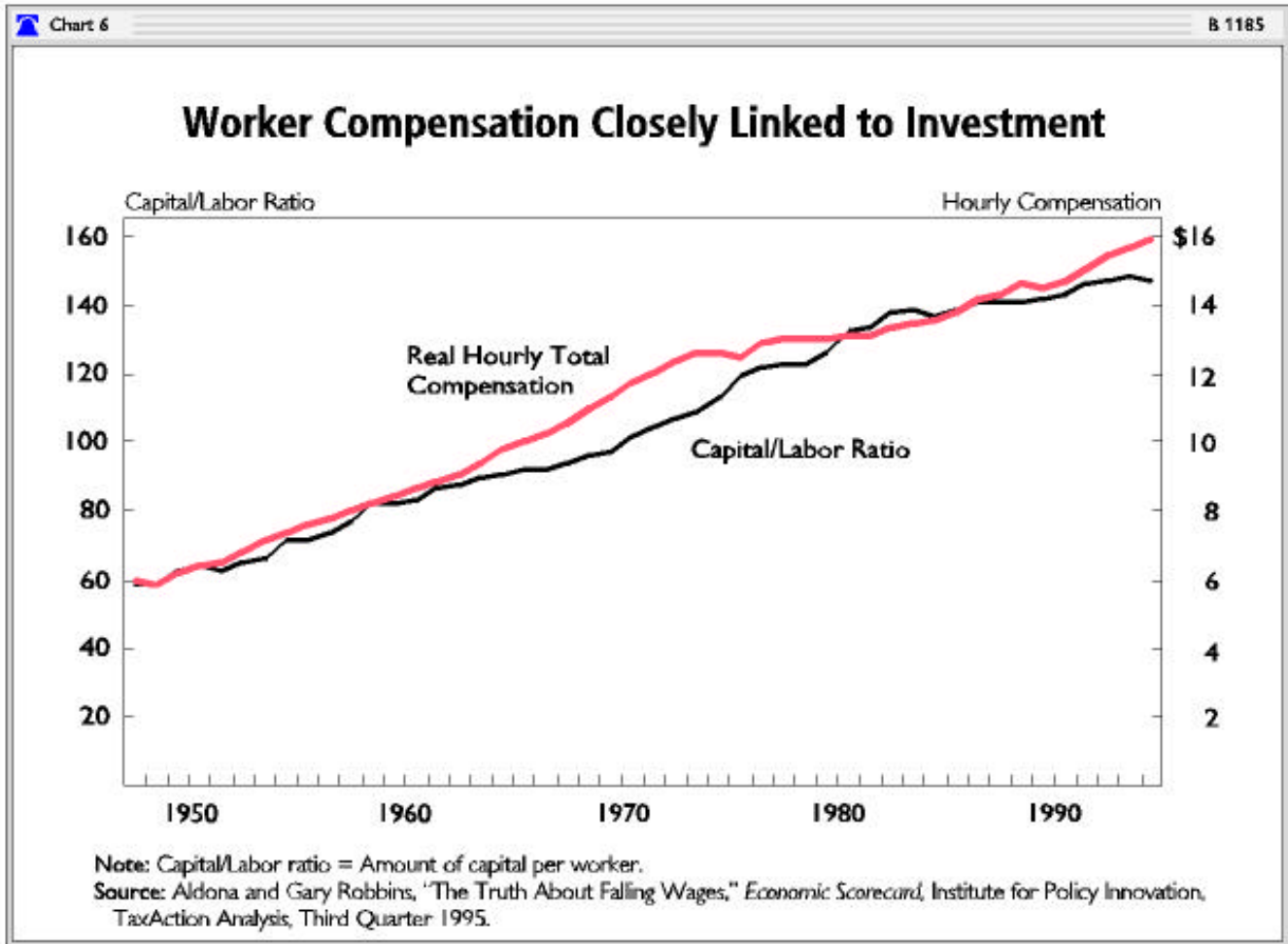
QUESTIONS AND ANSWERS

Q. Why do savings matter?

A. Savings are important because they are the key to capital formation, and capital formation is necessary for economic growth and rising wages. This is recognized by every economic theory, even Marxism. Without savings, it would be impossible to build factories, purchase equipment, conduct research, and develop technology. It is savings that allows an American farmer to buy advanced equipment to increase the productivity of his farm, and therefore the income he earns. It is savings that allows a business to purchase equipment, and it is the new equipment that allows a factory to produce more—thereby raising the income of workers and owners. (See Chart 6.) It is savings that allows venture capitalists to take risks and invest in the Microsofts of tomorrow.

President Clinton's Council of Economic Advisers may have explained it best in the 1994 Economic Report of the President:

The reasons for wanting to raise the investment share of the GDP [gross domestic product] are straightforward: Workers are more productive when they are equipped with more and better capital, more productive workers earn higher real wages, and higher real wages are the mainspring of higher living standards. Few economic propositions are better supported than these—or more important.¹²



Q. Does more savings mean more investment?

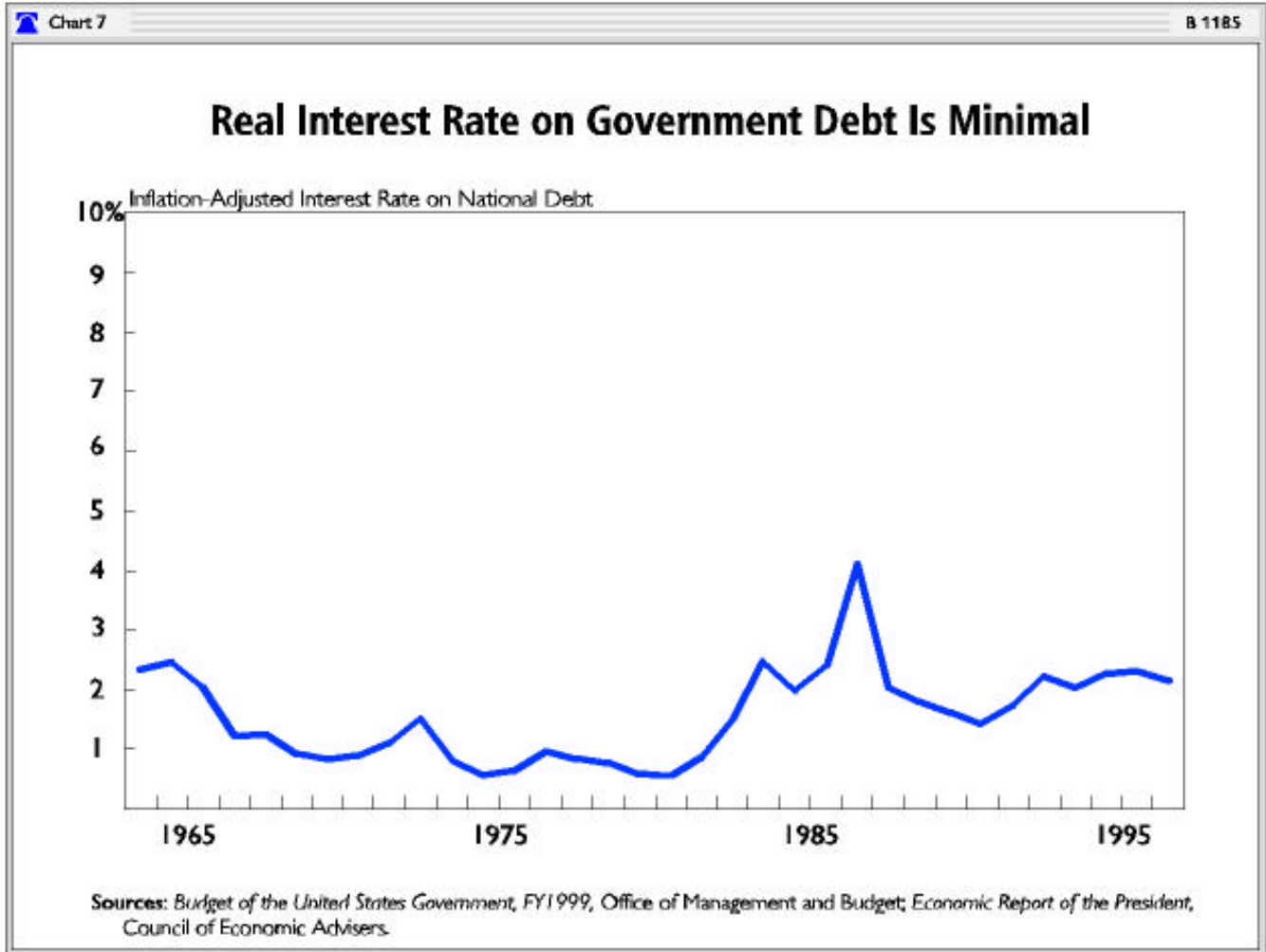
A. Yes, but increasing the savings rate is only part of the investment picture. A nation can have a very high savings rate, for instance, but if high taxes on capital encourage savers to invest their money overseas, workers will not be able to reap the benefits of increased investment. It is important not only where savings are invested, but also how savings are invested. The former Soviet Union had very high rates of saving and investment, but the people did not benefit because government planners, rather than market forces, decided how savings were invested. Similarly, Singapore has a mandatory system of saving for retirement, but the government controls how the funds in the individual retirement

accounts are invested. As a result, the accounts earn lower returns and the workers do not benefit as much as workers in countries with privatized Social Security systems that allow professional pension fund managers to direct the investment.

Q. Is consumption bad?

A. Not at all. Indeed, the purpose of savings is to increase consumption over time. Countries with high levels of private capital formation have higher levels of per capita income. This translates into higher levels of consumption. High savings rates, it should be noted, simply are a measure of when the income is being consumed.

12. Council of Economic Advisers, *1994 Economic Report of the President* (Washington, DC: U.S. Government Printing Office, 1994), Chapter 1, available on the Internet at gopher://gopher.umsl.edu:70/00/library/govdocs/erps/erp94/erp94ch1.



Although consumption is not bad, government policies that penalize savings clearly are ill-advised. Such policies may increase short-term consumption, but only at the expense of savings and future consumption. Over time, the lack of savings and investment in an economy will reduce income growth and lead to significantly lower levels of consumption.

Q. What role do interest rates play?

A. Interest rates are a measure of the return on savings. Interest rates also reflect the value individuals place on future consumption versus current consumption. An individual may choose to save \$100 if this will allow him to consume \$105 one year from now (a 5 percent return). Or he may choose to consume today if the return on savings is only 3 percent

(meaning \$100 of savings will give him only \$103 for consumption one year from now).

Interest rates help determine whether investments are viable. If a new factory is expected to earn a 10 percent after-tax return, investors may be willing to provide debt financing (bonds) or equity financing (stocks). At a 5 percent return, however, investors may choose to place their funds elsewhere. Interest rates also help adjust for risk. Risky loans command higher interest rates to protect the lender from the risk of default. Safe investments like U.S. Treasury Bills, by contrast, earn relatively low returns. Venture capitalists understand that many of their investments will be complete busts, but the investments that do pay off generate such high earnings that the losses elsewhere are offset.



Some people complain at times that interest rates are too high, thereby discouraging investment. Others complain that interest rates can be too low, thereby discouraging savings. There is no right interest rate, however. Interest rates are simply market prices that help allocate credit based on risk, taxes, and individual preferences for current and future consumption.

Q. Are budget deficits bad for savings?

A. Government borrowing is believed to be counterproductive because the programs upon which the money is spent consume savings that could be used for productive investment. It is important to realize, however, that budget deficits are a symptom. The real problem is that government spending diverts resources from the private sector. Whether the spending is financed by taxes or borrowing, the damage occurs because politicians do not have incentives to use the money wisely. Replacing debt-financed spending with tax-financed spending simply trades one ill-advised policy for another. Indeed, because real interest rates on government debt are so low and foreign savings can be relied upon to finance the deficit, it is almost certain that raising taxes to reduce government borrowing will reduce America's growth rate. (See Chart 7.)

CONCLUSION

The United States is not suffering from a savings crisis. There is no question, however, that Americans would be better off if the national savings rate increased. The problem is clear: Government tax and spending policies simultaneously penalize savings and remove the incentives to save. The two biggest culprits are the current tax code and the Social Security system. Fortunately, solutions are readily available.

First, a low-rate, consumption-based tax, such as the flat tax, would remove the tax code's bias against savings and investment. Second, Social Security reform should include a system of individual accounts to allow workers to invest a portion of their payroll taxes privately. Not only would these accounts boost the savings rate, but they would enable workers to retire with more income than they would have received from the actuarially bankrupt Social Security system. These tangible, wise decisions would correct some of the government's current policies that most discourage savings in America.

—*Daniel J. Mitchell is McKenna Senior Fellow in Political Economy at The Heritage Foundation.*