

# Make Me Smart September 8, 2021 transcript

**Note:** *Marketplace podcasts are meant to be heard, with emphasis, tone and audio elements a transcript can't capture. Transcripts are generated using a combination of automated software and human transcribers, and may contain errors. Please check the corresponding audio before quoting it.*

**Molly Wood:** You're making your list right now? Are you ordering online? Are you making a list for someone else?

**Kai Ryssdal:** I'm making my list. I'm going, going down to Ralph's, making my list, going to Ralph's. I'm a big in-person shopping guy, like just squeeze those peaches. Anyway, so.

**Molly Wood:** He's making dinner.

**Kai Ryssdal:** I'm Kay Ryssdal, I'm about to be fired. Welcome back to Make Me Smart, where we make today make sense while we're doing our grocery shopping lists. Thanks for joining us.

**Molly Wood:** Thanks, everyone. I'm Molly Wood. It is already Wednesday. Look at that, a short week, it's what do you want to know Wednesday, the day in the week where we get to geek out with your questions. I know, I mean, I'm kind of, sometimes a four-day week is like, really, really tiring and terrible. And this is a little bit of that. But also, like, it's going real fast and I love it.

**Kai Ryssdal:** Yeah, zipping right by. Speaking of zipping right by, this podcast goes by in 15 minutes every single day except Fridays, when sometimes we get carried away, all of which is to say it's not a huge time commitment for you. And hopefully, you'll learn something. So do us a favor, which is subscribe if you haven't, tell a friend if you haven't, because, you know, why not? Why not?

**Molly Wood:** Why not? Why not? Indeed. And you could become one of our lucky listeners who has their question answered live. On the show, our first question today, radio, our first question today comes from Robert in Los Angeles.

**Robert:** You may have covered this in an episode and I missed it. But what does it mean that Social Security is running out in 12 years? Does this mean that all the money I've paid into it is gone? Does it mean my parents will stop receiving Social Security checks in 12 years? Thanks for any insight.

**Kai Ryssdal:** It means none of those things, Robert, it means none of those things, and we haven't covered it. Which is, that's a fair topic. Alright, so here's what it ought to be. We got to do an episode on the social safety net, frankly, just cause it gets bandied about and we don't, we don't really explain it. But, so here's the proximate cause of this question. Social Security Administration came out with a report last week warning that its reserves are being depleted

because more people are getting benefits than are contributing. And that's been happening for a long time now, right, as the baby boomers have started to retire, and we have fewer workers on the bottom end, although the millennials are now the biggest age group in this country, I think, and they're contributing, anyway, more people taking out than are putting in. And so they are going to run out, they are going to exceed the contributions by 2034, which is one year earlier than previously suggested. But that does not mean they are running out of money. The only thing that that means is that they're going to be able to pay out less money unless something changes, okay, whether that's higher withdrawal ages, whether it's increasing the wage cap on Social Security. So right now, probably a lot of people don't know this, right now you only pay social security taxes on about the first \$140,000ish of your income. So whatever gets made beyond that by the top 3% in this economy is completely untaxed. They provide nothing to the social safety net and, and old age and survivors disability insurance, which is what OSADI means on your payroll stuff. So that's, that's a huge part. Or they could lower the benefits right and, and right now, if Congress doesn't do something about that, benefits are going to be, have to be cut by something like 20ish percent, which is not great for those recipients because they are, by definition, living on fixed income. We checked with Alicia Manal. She's director of the Center for Retirement Research at Boston College. And here's what she had say.

**Alicia:** It's good and bad news in the sense that it means that benefits would not go to zero. But without additional money, the Social Security Administration cannot pay the full benefits.

**Kai Ryssdal:** I guess I should have listened to Alicia's tape before I spouted off.

**Molly Wood:** But still, apparently he just knew most of this off the top of his head, including the OSADI part, which is amazing.

**Kai Ryssdal:** I had a big fight with Paul Krugman about this on Marketplace about 10 or 12 years ago. Anyway, so that's—no, I was saying come, social security's gonna go broke and he was like, no, shut up. That's not what's happening. And he, and he give me a stern talking to, let me just say.

**Molly Wood:** What, what our professor that are, what our source here said, Alicia says that we need more money to go into the system, like Kai said, and the way to get that is to either raise payroll tax rates, I guess, raise that cap, or interestingly have an income tax on benefits, which feels like it would actually have the same effect of reducing the overall payments by 21%.

**Kai Ryssdal:** Yeah, that's crazy. That's crazy.

**Molly Wood:** So maybe that's not ideal. But yes.

**Kai Ryssdal:** Sorry, the Social Security tax is, and this is almost definition of the word right, regressive, it taxes full incomes of everybody making \$140,000, or it's actually a touch above that, I think, taxes their full incomes, but if you make \$500,000 a year, if you make a million dollars a year, that whatever's above 140, you pay no Social Security tax on, which seems to me to not make a whole lot of sense.

**Molly Wood:** Then at the end, does everyone get the same amount? Clearly, we actually really do need to do an episode on this because, I don't know.

**Kai Ryssdal:** Yeah, well, yeah, I mean, so, so Jamie Diamond works. It's actually, it's actually calculated on your earnings. Right. The problem is that it's calculated on earnings. And somebody who has been making minimum wage for 40 years will have less than total lifetime earnings and thus eligibility than Jamie Diamond will, right. And it's not tested. So that's another problem. Yeah.

**Molly Wood:** So they pay the same amount. But then they only get back, I mean, they pay the same amount, assuming that they, yes, so they pay roughly the same amount, and then the amount that they get paid every month is based on their smaller income. Wow. Yeah. We should do an episode on this.

**Kai Ryssdal:** Yeah, we should. So look, we all get statements every year. We all get statements every year, maybe even quarterly or semiannually, the layout, what your expectation is for pay based on how much money you've been making. So you get it. I'm sure it's online by now. But yeah, you can go to the Social Security Administration website, and, and get the projection of what your payout will be at the age of 62, 67, 73 and a half, whatever it is. Yeah.

**Molly Wood:** Although be careful, because apparently my uncle did that to try to find out what his payout was going to be. And then he accidentally, it went through the system as a request that then fixed his pay out at that. So like, be careful with that website, because that just happened to him. Yeah, clearly, we need a deep dive on Social Security, not just the safety net, but specifically that, where it came from and how it works. And that's like, super not in the personal finance way. But in the sort of economic like what happens as, you know, boomers age, like it's a huge part of, yeah, huge part of that.

**Kai Ryssdal:** Absolutely. You bet.

**Molly Wood:** Fascinating! Oh, I love your questions. I love them, audience, I love them. Great question. Great question. Okay. All right, what next, this one comes—I'll just take this one because you've been talking for a minute. Connor in North Carolina.

**Kai Ryssdal:** I tried to be really aware of that.

**Molly Wood:** We do what we want. Oh, I'm sorry. It's an email. Connor wants to know, Connor wants to know, wow, why is it so hard to make semiconductors and chips, he says. Why aren't automakers attempting to make their own like a generic brand of semiconductors? I love this story. Because it does be like this must be like an easy little onshore thing. And it is super-duper, not that. They're really, really, really hard to make, I believe the, let's see, the former Intel, the former boss of Intel, Craig Barrett, said that his company's microprocessors were the most complicated devices ever made by man, which I think is true, like manufacturing and chip, it has to happen in these like sealed room. I mean, it's not dissimilar to constructing like a Mars Rover,

it's got to be in this room with no dust, right? All these like massive machines, molten tin and lasers, the dust can like shut down the entire operation for however long, making a single chip takes three months, the factories cost billions of dollars to build and bring online, the like air is being filtered all the time, like only two people can go in. I mean, it is a bananas complicated process. And the reason that automakers aren't trying to get into that is because an entry level factory costs \$15 billion, you have to basically generate \$3 billion in profit from each plant just to avoid losing money. And then the chips themselves, you build this whole facility, like it's called a foundry, and so you create that and you're like, okay, we're gonna make these kinds of chips. The problem is, then that chip becomes obsolete in five years. And so then you have to spend, you know, a couple of billion more dollars, upgrading to whatever the latest type of chip is, which is why there are essentially three companies for all intents and purposes. There are smaller foundries, but there's like Intel, Samsung, and TSMC, which stands for Taiwan Semiconductor Manufacturing Company. I love the literal name. This is like my favorite thing. Those three are the only companies that can afford to have multiple plants. Hardly anybody is trying to set up a new one. Because, and even if they do, and this is why the chip shortage is going to go on for a long time. Because even if they do it takes years, years, and all those billions to get anyone on.

**Kai Ryssdal:** My, my brother, who we were just visiting in Portland, works for a firm that contracts with Intel to build those fabs, those fabrication facilities. He is busier than all get out. He's working like 18-hour days, setting up, trying to get running, improve efficiency of all of these chip plants. He said it's just craziness.

**Molly Wood:** Wow, fascinating. I bet that it's such a super specialized business to get into, too.

**Kai Ryssdal:** Yep. Yep.

**Molly Wood:** Yeah, kids, if you want to do a cool job security technical skill, learn how to like, install foundry equipment. Chip fab equipment. Yeah, for sure. Fascinating. Alright, I'll read this email and you can do the answer. Charlie in Pennsylvania also wrote in, and they say, it's a short week and so my brain is also short? I don't know. Charlie says, a few times over the past month, we have found it necessary to order things from Amazon. As often happens, we've also had to return an item or two, two or three times, one of the options during the return process was a returnless refund. That's right. I get to keep the thing I don't want as long as I'm willing to take my refund in the form of a gift card. Obviously, we took the deal, sold the stuff on Facebook Marketplace and moved on with life. But what are we doing here? Please make me smart.

**Kai Ryssdal:** Yeah, so Amazon has been doing this since at least 2017. Marissa Cabrera and Grace Rubin tell me, basically, because in some cases, it's too expensive or just simply not worth it to ship the stuff back, right. It's just cheaper to tell the customer to keep it because of processing return. It's not just postage and shipping and transportation. Right? It's restocking, it's the person hours, their customer service hours. Other people are doing it as well, right, Walmart, and it's just cold calculated business decisions. It's all part of, you know, sort of disposable capitalism, right? We don't want to pay for getting this back so you can do whatever you want with it. That's fundamentally what it is.

**Molly Wood:** Which is so bananas. It's literally cheaper to be like just keep it, which I guess the only plus side there's, there's like less of a carbon footprint on the return. Although I suppose if you ship it to someone else, then that's, that, but that right there, friends, is what happens when you are huge. That's just a total scale luxury and it works because people love it. People love that you can just call Amazon and they'll be like, doesn't, just keep it. Here's your money back.

**Kai Ryssdal:** Yeah, just not worth it. Alright, here's the question. Anonymous, near as I can tell, curious listener, here is what they want to know. Is it hollowed out shell Thursday, or hollowed out shell of a Thursday, are we calling ourselves hollowed out on Thursdays, the former, or are we calling Thursdays hollowed out, the latter. Bridget, was at you? I mean, come on. If it is Bridget, just put your name on it.

**Molly Wood:** I mean, we do have some pedantic listeners. But I sort of feel like it was Bridget, although she's claiming that it wasn't.

**Kai Ryssdal:** Totally. I don't believe you, Bridget. I think it's just a matter of syntax. I think they're both the same thing. The implication is clearly that we, the speakers of the phrase, are hollowed out in some way. That's what I'm saying.

**Molly Wood:** Yeah, I think it is the former and it's not "of a." We don't need to add any more words to this.

**Kai Ryssdal:** Yeah, that was probably me. I add words all the time. I'm probably the one who said hollowed out shell of a Thursday, so I don't know.

**Molly Wood:** Sometimes it is that too. So we, you know what, we reserve the right for it to be both. Little miss two links over here is like, you know what? Yes. The answer's yes. That's right.

**Kai Ryssdal:** All right. So look, we're gonna, we're gonna wrap it up almost here. Back on Thursday, which is tomorrow. TBD on what kind of a hollowed out day it is. We'll just keep it a surprise. Send us your questions though, would you? [makemesmart@marketplace.org](mailto:makemesmart@marketplace.org), leave us a voicemail, the number to dial is 508-827-6278, also known as 508-UB-SMART. But we're not leaving yet. And here's why. In the 90 seconds we have left in our allotted 15 minutes of your brain space, it is fall fundraising drive here at Make Me Smart. Here's what we're going for. It's, it's a big, big ask, \$250,000 by Friday next, that is Friday the 17<sup>th</sup>, \$250,000 and, and here we come a begging.

**Molly Wood:** Oh, in like, nine days! Dang. Okay, you're gonna need to hurry up. And the great news about this, I'm actually very excited. We have new swag for you. And it is based on a signature phrase that only Make Me Smart fans will really appreciate: banana pants. I'm not talking about like a sticker, or a cup or a tote bag. I'm talking about actual pants. We finally, at long last, we have banana pants, polyester pajama style pants with pockets and elastic waist and a drawstring and bananas all over them because they're banana pants. You get them for

\$10 a month or \$120 up front but obviously feel free because everything that we do here depends on you, our listeners, to give as much as you want and as you can. Banana pants!

**Kai Ryssdal:** Yeah. And that's, that's where we are today. Right? I mean all y'all keep us going if you're a regular listener to this podcast, you know the, the energy that Molly and I get from you and you're why we're here and, and we're why you're here, so whatever you can do, we appreciate. [Marketplace.org/givesmart](https://marketplace.org/givesmart).

**Molly Wood:** There we go. I was like, is he gonna say the link because otherwise it's not gonna work. [Marketplace.org/givesmart](https://marketplace.org/givesmart). We got to say the link a bunch of times because there are not that many days, go, go, go. Make Me Smart is produced by Marissa Cabrera who gets paid thanks to all of you. Today's program is engineered by Charlton Thorpe who gets paid thanks to all of you. Our intern is Grace Rubin who gets paid because we pay our interns, thanks to all of you.

**Kai Ryssdal:** Ben Tolliday and Daniel Ramirez composed our theme music. They no longer get paid by all of you, but they used to, and I'm sure they really appreciate it. Even to this day. Our senior producer is Bridget Bodnar, who also gets paid by all of you. That's the only way this works.

**Molly Wood:** [Marketplace.org/givesmart](https://marketplace.org/givesmart). Banana pants, actual banana pants, actual banana pants.

**Kai Ryssdal:** Actual pants that are bananas.

**Molly Wood:** I really, if this is my enduring legacy, you know, I can live with that.