

The Oregonian

Mounting government costs falling on shoulders of younger Oregonians

By: Dan Lucas – March 19, 2013

When we talk of the national debt or Oregon's debt, we're talking about money our government has already spent that will need to be paid for in the future. When we talk about Social Security, Medicare and PERS unfunded liabilities, we're talking about money our government has already committed to spend, and that will also need to be paid for in the future.

Our national debt is almost \$17 trillion, and Oregon's long-term debt is \$13 billion. The unfunded liability of Social Security is \$21 trillion. The Medicare unfunded liability (including prescription drugs) is \$105 trillion. Here in Oregon, the PERS unfunded liability is around \$14 billion to \$16 billion.

For most of us, those are just Monopoly money numbers -- it's hard to grasp what they mean. For younger Oregonians, though, it means that over the years they'll either be paying a lot more in taxes or getting a lot less in government services, or both.

A 2013 report by the Cato Institute finds that current U.S. fiscal policy "is placing an enormous financial burden on today's children and on future generations in order to deliver government benefits to current middle-aged workers and their elders." It goes on to note that these "intergenerational resource transfers" are going to grow. The Hill reported in February that "The number of seniors receiving Social Security and Medicare benefits will rise by 40 percent over the next decade."

Younger Americans aren't going to get the same deal their grandparents and parents got. By the time people born in 1987 turn 50, Social Security benefits will be reduced by about 25 percent, according to the Congressional Budget Office. Additionally, since Social Security is now running deficits, it will increasingly take more income tax dollars on top of the FICA withholdings from paychecks. That means that today's young people are going to be paying more and getting less.

In Oregon, a swelling elderly population as the baby boomers retire is going to place a greater tax burden on younger workers and it's going to aggravate problems like PERS. In 2001, there were 1.9 PERS members working for every PERS retiree. Ten years later, that ratio had dropped to 1.4 PERS members working for every PERS retiree.

Oregon's aging population reflects a growing trend in the U.S. -- a declining fertility rate that will initially see our elderly population swell, followed by a shrinking population. A recent Wall Street Journal article notes that one of the problems with countries with declining fertility rates is that "They cannot sustain social-security programs because they don't have enough workers to pay for the retirees."

The Wall Street Journal article is based on Jonathan Last's book "What To Expect When No One's Expecting," and reports that this same trend is happening in continental Europe, and that it's even more pronounced in Japan. The article notes "Japan's population peaked in 2008; it has already shrunk by a million since then," and that "Last year, for the first time, the Japanese bought more adult diapers than diapers for babies," and further notes that in 90 years, "Japan's population will be less than half what it is now."

The population situation in the U.S. and Oregon isn't as dire as Japan's yet, but our aging and then shrinking population are going to put significant stresses on programs like PERS and Social Security.

Policy makers have been very fortunate thus far that younger Americans and younger Oregonians haven't really grasped who it is that will be paying for all this. Obviously it isn't right or moral to stick them with the bill, but it's happening nonetheless, and the question now becomes how soon will they catch on and what will they do about it.