Connecticut Post Online (Bridgeport, Connecticut)

September 25, 2009 Friday

Grandma and Grandpa are bankrupting us

SECTION: OPINION

LENGTH: 825 words

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What are we going to do about old people?

It's a question few in Washington and state capitals are willing to ask, and such denial is disastrous.

The facts aren't in question. According to Ronald D. Lee, a demographer at the University of California, Berkley, in "the twentieth century the age at retirement in the industrial nations plunged by 10 or more years, while life expectancy "¦ increased by 30 years."

Shouldn't earlier retirements and longer lives be celebrated? Yes, but other developments have turned the good news into a fiscal time bomb. First, reliable contraception, legal abortion and delayed childbearing led to a dearth of babies. In America, the fertility rate bottomed out at 1.7 in 1976. It's risen a bit since then, but if not for immigration, the nation's population growth would be negligible. Second, the creation of "social insurance" turned seniors' quality of life into "everyone's" responsibility.

Cato Institute analysts Chris Edwards and Tad DeHaven predict that by 2020, "the number of elderly citizens will increase by 51 percent, but the number of working-age Americans will increase by only 16 percent." In Connecticut, the problem is particularly acute. With a median age of 38.9, only New Hampshire, Pennsylvania, Florida, Montana, West Virginia, Vermont and Maine have grayer citizenries. (A West Hartford economist once told The Hartford Courant: "Walking around the streets "¦ and looking for people 20 years old is remarkable -- you just don't see them.") By 2030, the number of senior-citizen Nutmeggers will grow by nearly 70 percent, while the 85-and-over cohort is expected to more than double.

Longer lifespans don't come cheap. Calcium supplements, statins, titanium hips, Depends, anti-dementia drugs, emergency-room trips -- the older ones gets, the more bills accumulate.

If you're under 65 and wondering who's paying for it all, look in the mirror. Old folks once survived on their own savings, plus help from family members and charitable organizations. Today, gargantuan, politically structured social-welfare programs redistribute over a trillion dollars every year to eligible recipients. (Contrary to the fairy tale still believed by many seniors, revenue from the payroll taxes paid during their working years wasn't held in a "trust fund" for them in D.C. It was spent, immediately, on past beneficiaries, as well as things like ICBMs and agri-subsidies.)

The long-term outlooks for Social Security and Medicare are terrifying. According to John C. Goodman of the National Center for Policy Analysis, "Medicare's expected future obligations exceeded premiums and dedicated taxes by $89 trillion "¦ . No, that's not a misprint. To put that number in perspective, Medicare's liability is about 5½ times the size of Social Security's ($18 trillion) and about six times the size of the entire U.S. economy."

Then there's Medicaid, the LBJ-era program originally directed toward the poor. The most recent statistical supplement issued by the U.S. Social Security Administration reports that Medicaid "paid for over 41 percent of the total cost of care for persons using nursing facility or home health services in 2005." The late economist Herbert Stein is credited with the aphorism, "Things that can't go on forever, don't." Eldercare costs simply cannot continue to consume an ever-greater share of the nation's wealth. But enacting sweeping changes means facing down a senior-citizen lobby that's accustomed to getting nearly everything it wants from the political class.

Here's the standard libertarian disclaimer: Government has no business telling individuals how much to, or even whether to, save for their golden years. But for the time being, reality necessitates reforms that fall short of the repeal of the Social Security-Medicare-Medicaid monster. As Goodman writes, the most fundamental reform is a shift from the pay-as-you-go system to one in which "each generation must pay its own way." That means the establishment of individually controlled, tax-free accounts, that will siphon a share of earnings, and generate the sizable chunk of revenue needed to sustain a strong standard of living in retirement.

Unfortunately, new policies for people entering the work force today won't deal with current and so-to-be retirees. For that group, means testing (e.g., no Social Security checks for Bushes and Kennedys) and hikes in the age of eligibility are essential. Another worthwhile proposal is the "Money Follows the Person" initiative, which Connecticut joined earlier this year. It's designed to cut Medicaid costs by shifting patients in institutional care back to their homes.

The battle to reform seniors' entitlements will be long and bloody. But the alternative -- economic ruin wrought by sky-high tax rates -- is far worse. Let's get ready to rumble!

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Stephen J. Winters is on vacation.

LOAD-DATE: September 26, 2009

LANGUAGE: ENGLISH

GRAPHIC:

PUBLICATION-TYPE: Newspaper

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