

Re: Samuelson: "It's More Than Social Security"

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Date: 01/16/05

Date: Sun, 16 Jan 2005 18:49:16 GMT

"Rob Duncan" <robduncan@gbroline.com> wrote in message
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> "sinister" <sinister@nospam.invalid> wrote in message

> news:BJ6Gd.761\$HT6.185@trnddc04...

>>

>> "Rob Duncan" <robduncan@gbroline.com> wrote in message

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>>> <imbibe@mindspring.com> wrote in message

>>> news:1105692749.391903.149210@f14g2000cwb.googlegroups.com...

>>>> <http://www.washingtonpost.com/wp-dyn/articles/A8100-2005Jan13.html?sub=AR>

>>>>

>>>> *It's More Than Social Security*

>>>>

>>>> *By Robert J. Samuelson*

>>>> *Friday, January 14, 2005*

>>>>

>>>> *"We have a problem, and the problem is America is*

>>>> *getting older and that there are fewer people to*

>>>> *pay into the system to support a baby boomer*

>>>> *generation which is about to retire. Therefore,*

>>>> *the question is, does this country have the will*

>>>> *to address the problem?"*

>>>>

>>>> *-- President Bush, Dec. 9, 2004*

>>>>

>>>> *The answer seems to be "no," starting with the president.*

>>>> *Language matters. How we discuss something -- the words*

>>>> *and phrases we select -- determines whether what we say*

>>>> *makes sense. The fact that both Bush and his opponents*

>>>> *have chosen to debate only Social Security, highlighted*

>>>> *by the president's "personal accounts" proposal, betrays*

>>>> *a lack of seriousness that promises failure. The nation's*

>>>> *problem is not Social Security. It is all federal programs*

>>>> *for retirees, of which Social Security is a shrinking part.*

>>>> *Admit that and the debate becomes harder, but it also*

>>>> *becomes more honest and meaningful.*

>>>>

>>>> *Our national government is increasingly a transfer mechanism*

>>>> *from younger workers (i.e. taxpayers) to older retirees. In*

>>>> *fiscal 2004 Social Security (\$488 billion), Medicare (\$300*

>>>> *billion) and Medicaid (\$176 billion) represented 42 percent*

>>>> *of federal outlays. Excluding spending that doesn't go to*

>>>> *the elderly, the Congressional Budget Office crudely*

>>>> *estimates that these programs pay an average of almost*

>>>> *\$17,800 to each American 65 and over. By 2030 the number*

>>>> *of elderly is projected to double; the costs will skyrocket.*

>>>>

>>>> *It makes no sense to separate Social Security from Medicare.*

>>>> *Most Social Security retirees receive Medicare. Similarly,*

>>>> *it is the total cost of these programs that matters for the*

>>>> *budget, taxpayers and the economy. By itself, Social Security*

>>>> *is almost irrelevant. Indeed, the big increases in future*

>>>> *spending occur in health care. The actuaries of Social*

>>>> *Security and Medicare project that Medicare's costs will*

>>>> *exceed Social Security's in 2024 -- and then the gap only*

>>>> *widens. (The projections don't include Medicaid, which pays*

>>>> *for some nursing home care. Including Medicaid would widen*

>>>> *the gap further.)*

>>>>

>>>> *Look at the numbers. From 2004 to 2030, the combined spending*

>>>> *on Social Security and Medicare is expected to rise from 7*

>>>> *percent of national income (gross domestic product) to 13*

>>>> *percent. Two-thirds of the increase occurs in Medicare. To*

>>>> *add perspective: The increases in Social Security and Medicare*

>>>> *represent almost a third of today's budget, which is 20 percent*

>>>> *of GDP. Covering promised benefits would ultimately require a*

>>>> *tax increase of about 30 percent; that assumes today's budget*

>>>> *is balanced (dispensing with the issue of Bush's tax cuts).*

>>>> *In current dollars, the needed tax increase would be about*

>>>> *\$700 billion annually.*

>>>>

>>>> *The central budget issue of our time is how much younger*

>>>> *taxpayers should be forced to support older retirees -- and*

>>>> *both political parties and the public refuse to face it.*

>>>> *What's fair to workers and retirees? How much of a tax*

>>>> *increase (never mind budget deficits) could the economy*

>>>> *stand before growth suffered badly? How much do today's*

>>>> *programs provide a safety net for the dependent elderly,*

>>>> *and how much do they subsidize the leisure of the fit or*

>>>> *well-to-do? (About 15 percent of elderly households have*

>>>> *incomes exceeding \$75,000.) How long should people work?*

>>>>

>>>> *We need a new generational compact to reflect new realities.*

>>>> *In 1935, when Congress passed Social Security, life expectancy*

>>>> *at birth was 62; now it's 77. In 1965, when Congress passed*

>>>> *Medicare, the 65-and-over population was 9 percent of the*

>>>> *total; by 2030, it's expected to be 20 percent. The
>>>> generational compact includes Social Security, Medicare
>>>> and Medicaid. If this year's debate focuses only on Social
>>>> Security, it will be an exercise in deception. Unfortunately,
>>>> both the White House and congressional Democrats have a stake
>>>> in that deception.*

>>>>
>>>> *Democrats argue that "the Social Security problem" can be
>>>> fixed with tolerable tax increases and benefit cuts, imposed
>>>> mostly on the upper middle class and the rich. True. The
>>>> long-term gap between promised benefits and present taxes
>>>> equals 1 to 2 percent of GDP. Though large, the needed changes
>>>> in taxes and benefits probably wouldn't be crippling. There's
>>>> no "crisis," say Democrats and supporting pundits. What they
>>>> omit is Medicare. Adding that, tax increases would be huge --
>>>> and hard to limit to the wealthy.*

>>>>
>>>> *The focus on Social Security also suits the White House. For
>>>> starters, it avoids the reality that until now many Bush
>>>> policies have favored the old over the young. In 2030 the
>>>> new drug benefit raises Medicare spending by an estimated
>>>> 36 percent. The tax cut on dividends and capital gains (to
>>>> 15 percent) benefits the old -- particularly the wealthy
>>>> elderly -- because they own a disproportionate share of
>>>> stocks. Elderly households with incomes exceeding \$100,000
>>>> will receive 27 percent of the benefits of these cuts (worth
>>>> about \$6 billion) in 2005, estimates the Tax Policy Center.
>>>> As for personal accounts, they would involve immense
>>>> practical problems. Why run the risks if, because Medicare
>>>> has been ignored, the real problem of federal retirement
>>>> spending remains largely unaddressed? Good question. The
>>>> White House isn't asking.*

>>>>
>>>> *What's discouraging is that, along with most Republicans and
>>>> Democrats, many "experts" and pundits also evade the hard
>>>> questions. Their purpose is mainly to condemn or cheer George
>>>> Bush. The debate we need involves generational responsibility
>>>> and obligation. Anyone who examines the outlook must conclude
>>>> that, even allowing for uncertainties, both Social Security
>>>> and Medicare benefits will have to be cut. We can either make
>>>> future cuts now, with warnings to beneficiaries, or we can
>>>> wait for budgetary pressures to force abrupt cuts later, with
>>>> little warning. That's the problem, and to answer Bush, no
>>>> one wants to address it.*

>>>>
>>> *Obviously written by, and then posted by, two idiots. I guess in the
>>> next several decades we should expect no advances in medical science
>>> that decreases costs? Always the problem with the left.*

>>>
>> *Not clear that medical advances will decrease overall costs, especially
>> the way medical care is purchased and administered in the US.*

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> *Taking inflation into account, medical costs have ALWAYS gone down. Care*
> *to provide an example to the contrary?*

Perhaps costs per drug/per operation etc have gone down. I'd wager, however, that medical spending as a fraction of GDP has increased.

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>

> *Rob*

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