PERSONALLY SPEAKING

Special Issue ***May 18, 2009***

THE NUMBERS DON'T COMPUTE

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The surplus in the Social Security retirement trust fund will be exhausted by 2037. By then, there will be roughly 78 million Americans 65 years of age or older and the tax revenues earmarked for the fund will be sufficient to pay only three-quarters of the benefits promised under the current system.

The surplus in the Medicare hospital insurance trust fund will be exhausted by 2017. By then there will be approximately 55 million Americans 65 years of age or older. In 2037 Medicare benefits under the present system will pay an estimated 50 percent of the scheduled benefits.

The drain on both funds origins from two sources: a flood of baby boomers reaching the age of eligibility for benefits and older persons living longer. Life expectancy at birth for men will rise from 74 years in 2002 to 81 years in 2050. For women life expectancy increases to 87 years in 2050 from 80 years in 2002.

Current and projected federal budget deficits will add trillions to the current public debt which stands at $11.2 trillion. Based on an average interest rate of 3 percent, financing a $15 trillion debt will cost American taxpayers approximately $450 billion every year. At 4 percent, the cost of servicing that debt climbs to $600 billion.

At the present time, at least 41 percent of Americans get a full refund or more (through a refundable tax credit) or pay no tax at all.

These data come from the Social Security/Medicare trustees, Census Bureau, Treasury Department, and Tax Foundation.

What to do?

Scrub the budget of waste and eliminate programs which serve no public purpose.

Cram down interest rates through the Federal Reserve.

Increase federal income taxes and Social Security/Medicare taxes.

Reduce Social Security benefits by changing the formula which increases benefits every year on the basis of wage increases to one based on price increases.

Increase the age of eligibility benefits for Social Security/Medicare benefits.

Means-test Social Security/Medicare so that benefits are paid strictly on the basis on demonstrated need rather than presumed need.

Deny Medicare benefits whenever the cost of a specific procedure > the benefits to a given patient.

There is a downside to each of these remedies. To illustrate, lower interest rates encourage private borrowing and spending and stoke inflationary fires. Years of Potomac watching tell us that scrubbing the budget doesn't work because every item in the budget has its own backers in Washington and elsewhere including interests outside the United States. Means testing Social Security/Medicare wipes out the property right which beneficiaries claim on the basis of their own payroll deductions and the matching contributions in their name by their employer. Bringing cost/benefit analysis to bear on treatment decisions immediately disadvantages older senior citizens for whom any benefits are reduced by their shorter expected lifetime.

There is another solution already in limited use in two states. Reduce life expectancy through assisted suicide which today is legal in Oregon and Washington. Legislative and judicial initiatives already are underway in Alaska, Arizona, California, Hawaii, Maine, Michigan, Montana, New Hampshire, Vermont, Wisconsin, and Wyoming.

As we witnessed with the legalizing of abortion in the 1960s and early 1970s, what became acceptable in a small number of states soon became the law of the land through the Court's decision in Roe v. Wade which expanded the meaning of the right of privacy under the due process clause of the Fourteenth Amendment to include the right to an abortion. Will the same kind of legal reasoning based on empathy for those who are dying make assisted suicide legal across the entire United States? With the new justice whom President Obama is about to appoint to the Supreme Court, we may learn the answer to that question a lot sooner than we think.

The current working-age generation faces two enormous challenges. First, how to pay for the huge increases in the public debt? Second, putting aside the question as to how to pay for the still-to-be fleshed out universal health care plan, how to fix and pay for Medicare and Social Security retirement, two systems which essentially are broken? Inevitably, to make the numbers work, Americans will have to settle for less or be willing to pay more. The American dream of living better than one's parents and grandparents may be over for generations to come.

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