



Written by [Charles Scaliger](#) on May 13, 2009

Social Security, Medicare Running Out of Money Faster Than Expected

Social Security and Medicare, Big Government's two most cherished social-welfare programs, are running out of money far faster than expected, thanks to the persistent economic downturn. Medicare, which is already running a deficit, will run out of money by 2017, while Social Security will be broke 20 years after that, according to new estimates from the Obama Administration.

The estimated 5.7 million jobs lost since late 2007 have meant lower revenues from the payroll taxes used to fund these two misnamed "entitlement" programs, and the looming retirement of tens of millions of baby boomers will quite possibly strain them to the breaking point. Meanwhile, Medicare and Social Security cost more than a combined \$1 trillion last year, or more than one third of the entire federal budget.



These indicators, coupled with spiraling health care costs, suggest that Social Security and Medicare already cost far more than America can afford. But the federal government, in its dubious wisdom, rather than bowing to the obvious and phasing out the two wasteful and unconstitutional programs, is vowing to keep them — at any cost.

"We need to act now to address Medicare's fiscal sustainability," said Republican Senator Charles Grassley of the Senate Finance Committee, putting to rest any lingering misapprehensions about GOP commitment to smaller government. Grassley and most of his fellow Republicans are in lock-step with the Democrats over the sanctity of federal government entitlements; the only point of disagreement is how to fund them. Whereas Democrats are looking at taxing health benefits to pay not only to keep Medicare afloat but to fund Obama's "sweeping" healthcare reform proposals, Republicans presumably intend to continue paying for such extravagances by deficit spending.

Meanwhile, the trustees of the Social Security and Medicare funds are predicting that, for the first time in more than 30 years, Social Security recipients will receive no increase in benefits over the next two calendar years, and only a meager 1.4 percent cost-of-living increase in 2012. This while monthly Medicare premiums, which are deducted from Social Security checks, are expected to rise from \$96.40 this year to \$104 next year and \$120 in 2011.

All of this, of course, is the long-term consequence of welfare-state economics. The eternal quest to get something for nothing via the legerdemain of government redistribution always ends in failure, because centrally planned economics — including the administration of welfare programs — always costs far



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more and delivers far less than the private sector can achieve. (Yes, money is extracted from workers' paychecks for Social Security, but the money is not being held in trust for the workers who "contributed" the money but instead is being spent on those who have already retired — or on other government programs.) But the political illogic of entitlements — buttressed as they always are by unthinking, self-interested special interest groups inside and outside government — almost always means that such programs survive far beyond the point when their costs become apparent to all, ending only when bankruptcy forces the issue to a much harsher conclusion than otherwise have been the case.

Where Medicare and Social Security are concerned, the choice is already starkly obvious: begin phasing them out now, and suffer short-term political fallout but long-term economic benefits, or wait until the indifferent laws of economics have their final say, and suffer the trauma of national insolvency as an enduring consequence.

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