



## Who Cares About Our Future?

My column titled “What Handouts to Cut?” created a number of angry responses, and for the first time in my life, I had some, not much, sympathy for political cowardice. Most letters were from senior citizens angered by my suggestion that they were receiving handouts and those handouts be cut.

Federal tax receipts for 2009 totaled \$2.1 trillion. The largest items in the federal budget were Social Security (\$710 billion), national defense (\$689 billion), Medicare (\$456 billion) and Medicaid (\$327 billion). The primary recipients of federal spending are seniors. Some of the letters argued that it’s unfair to characterize what seniors are getting as handouts because they worked all their lives and paid into Social Security and Medicare.



Jagadeesh Gokhale, senior economic adviser, Federal Reserve Bank of Cleveland; and Laurence J. Kotlikoff, professor of Economics at Boston University, document the looming Social Security and Medicare crises in “[Is War Between Generations Inevitable?](#)”. They report that “A male reaching 65 years of age today (in 2000, the year of their study) can expect to receive \$71,000 more in government ‘transfer’ benefits (of all kinds at both the federal and state levels, but mainly from Social Security and Medicare) than he will pay in taxes (of all kinds at both the federal and state levels) before he dies. A 65-year-old female can expect a net gain of more than twice that amount; she can expect \$163,000 more in benefits than she will pay in taxes.”

The picture is not so rosy for people who entered the labor force in 2000. They will pay far more in taxes than they will receive from transfer programs. Expansion of elderly handouts, such as prescription drugs, will make things worse. “For example: A 20-year-old female can expect to pay \$92,000 more in taxes than she will receive in transfer benefits over her lifetime. The future looks more than three times as bleak for her male cohort, who can expect to pay \$312,000 more in taxes than he will ever receive in benefits.”

Why is Social Security a better deal for today’s seniors? Just look at what they paid in. From 1937 to 1949, the maximum annual Social Security tax was \$60. It remained under \$200 until 1956. After 1956, Old Age, Survivors and Disability Insurance was added and in 1966, Medicare was added. It wasn’t until 1969 that maximum Social Security taxes exceeded \$2,000. Today, the maximum annual Social Security tax is \$13,000 and the maximum annual benefit is \$25,000.

As with any Ponzi scheme, the people who get on board early make out. This is pointed out by Geoffrey Kollmann and Dawn Nuschler of the Congressional Research Service in their report “Social Security Reform” (October 2002). They say, “Until recent years, Social Security recipients received more, often



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far more, than the value of the Social Security taxes they paid. ... For example, for workers who earned average wages and retired in 1980 at age 65, it took 2.8 years to recover the value of the retirement portion of the combined employee and employer shares of their Social Security taxes plus interest. For their counterparts who retired at age 65 in 2002, it will take 16.9 years. For those retiring in 2020, it will take 20.9 years." My question is: How can anyone who draws out every penny he's put into Social Security in a few years say that he's not living at the expense of another?

In my opinion, it takes a special form of callousness and disregard for the welfare of future generations of Americans for today's senior citizens to fight against reform. Nobody's talking about abolition of federal senior programs. We must accept that serious mistakes were made and we must take compassionate corrective action. But what the heck! As I said in my "What Handouts to Cut?" column, "Both today's politicians and seniors will be dead so why should they make sacrifices now to prevent an economic calamity decades off into the future?"

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