Comments on

"SPENDING ON CHILDREN AND THE ELDERLY: AN ISSUE BRIEF"
by
Julia Isaacs

by
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The theme of this paper[1] is summarized succinctly in the penultimate paragraph:

> 'The major flaw of our current system of intergenerational transfers… is the vast and rapidly growing size of public expenditures on health and retirement benefits for the elderly. Such expenditures are problematic, not because it is wrong to spend more on the elderly than on children, but because it is wrong to spend at levels that are becoming so high that they will crowd out spending at other stages of life and place a heavy tax burden on the children of today when they grow up to be working-age adults.'

This statement levels two charges. First, current government spending is misallocated. Too much is spent on the elderly, too little on children. Second, current commitments threaten insupportable growth of public spending. The alleged culprits are Social Security, Medicare, and Medicaid.

Are the charges valid? Are the defendants guilty? Is the punishment—reductions in spending on these three programs—the right corrective?

The paper points to some genuine problems. I believe that it also mis-diagnoses others and that it is unduly narrow in its consideration of policy recommendations. I shall argue five points.

- First, the paper's call for additional spending on children is justified. Unfortunately, it does not make the case for such spending or even provide references to other papers that do. Nor does it say anything about what form that spending should take.
- Second, the paper correctly points to the serious long-term budget challenges confronting the United States.

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[1] This paper caps a larger research effort that has produced three previous papers Isaacs (2009a, 2009b, and 2009c). My comments will refer to the three previous papers as well as the current one.

- Third, the source of the fiscal challenge is not, as the paper asserts, pensions and health care spending for the elderly. Rather the challenge is health care spending in general, of which federally financed health care spending on the elderly is only one part.
- Fourth, although growth of health care spending accounts for more than all of projected growth in federal budget deficits, no plausible slowdown in the growth of health care spending can solve the fiscal problem, important though such a slowdown is. Dealing with the fiscal challenge will require sizeable tax increases and tough scrutiny of all public spending, including tax expenditures. Regrettably, the paper almost completely disregards the proliferation of tax expenditures. They contribute in a major way to the fiscal challenge, and their repeal or curtailment would help meet that challenge.
- Fifth, the budgetary challenge from pension spending is minor. To the extent that it exists, the paper does not accurately describe its source.

THE CHILD/ELDERLY SPENDING RATIO

The paper dwells on the proposition that government spending is unduly skewed toward the elderly relative to children. The principal evidence is a set of calculations of per capita spending on the two groups. Several estimates show that government spending per aged person is greater than government spending per child, not just in the United States, but also in every other country for which data are reported (Isaacs, 2009c, table 1).

The ratio and, perforce, the absolute gaps vary widely. Among 20 OECD countries the elderly/child spending ratio ranges from 1.2 (Sweden and Denmark) to 34.7 (Spain). The U. S. ratio, 2.5, is just about at the median among the OECD countries, slightly higher than Japan's (2.4), and a fair bit lower than the next up the scale, Germany (3.0). But U.S. spending on the elderly relative to our GDP ranks 14th among the 20 OECD nations; spending per child relative to GDP ranks 11th.

Even if one credits these comparisons as correct—and the data contain some eye-brow-raising anomalies[2]—they do not suggest that the United States is an outlier. To be sure, U.S.

[2] The data reported in the survey raise serious questions about just what the data mean. Table 1 in Issacs (2009c) reports that the Germans spend a 6.2 times

federal spending focuses on the elderly (health and pensions), but *state and local* spending focuses on children (education). While federal spending is larger than state and local spending, it is hard to see why one would dwell on either component separately as evidence that *government* spending is skewed toward one group or another.

More fundamentally, it is not clear what such ratios rally mean. Pensions are payments to the elderly. But if workers pay a share of their earnings into a company pension fund, the pension they ultimately receive is not a sign of company favoritism toward the elderly. It is simply a return on previous investment, with interest. Similarly, if workers pay taxes into a public retirement fund, such as Social Security, the pension they later receive is simply a return of taxes they were required to pay throughout their lives. If workers have paid taxes equal in present value to the pensions they later receive, as is now the case with Social Security, it is not clear why one should regard the public pension any more than the private pension as a gift to the elderly. It is simply nonsensical to lump such payments together with transfers financed out of general revenues.

So, what—really— is the significance of data on the ratios of spending on children and the elderly? What is the right ratio for a nation? Does it matter whether the ratio is driven by particularly high or low spending on one group or the other? Are the numbers influenced by the form in which assistance is provided? Does the significance of a high or low ratio depend on underlying conditions in each country. Pretty obviously, I think, the answer to all of these questions is 'yes.' So, let's go behind these ratios and see what factors contribute to the 2.5 to 1 U.S. ratio to see whether it should be a source of concern. If it is, answering those questions will serve as a guide to what should be done about them.

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larger share of GDP per child on education than do the Austrians and that the Danes spend a 7.1 times larger share than do the Finns and that the Swedes spend 55 times more on education, as a share of GDP, than do the Belgians. If, as seems likely, those numbers are incorrect or incomplete or, possibly, conceal major institutional differences, the entire set of international comparisons is suspect.

HEALTH CARE

The U.S. health care system differs strikingly from that of all other developed nations in three ways.

- The United States spends much more of its GDP on health care than any other nation does.
- Health insurance in the United States is not universal.
- Government-sponsored health insurance covers nearly every elderly person. Medicare covers most acute care for the elderly and provides limited nursing home care. Medicaid finances just under half of long-term care, for the elderly and disabled.

Acute Health care for the non-elderly, other than those covered by Medicare, Medicaid, Tri-Care, the Veterans Health Service, or the Indian Health Services, is a largely private responsibility.

This division of responsibility has a major impact on the elderly/child spending ratio. But it ignores two key facts.

- First, most private health insurance and the spending that it supports, including that covering most children, is encouraged and supported by the exclusion from personal income and payroll taxes of employer-financed health insurance. The value of this exclusion in 2010 will be approximately $260 billion. A proper accounting of aid to children would include a portion of the value of this tax break as aid to children.
- Second, health care spending rises with age. U.S. health care spending per person aged 71 to 75 is more than eight times that on children aged 0 to 20.[3]

What this means is that if the elderly and children are both covered by equally inclusive insurance—defined, for example, by the percentage of actuarial cost covered by the insurance

[3] These estimates are based on regressions on data from the Medical Expenditure Panel Survey from the period 1996 through 2006, controlling for a variety of personal characteristics, including health insurance status. Spending on children aged 0 to 20 is 0.34 of average per capita spending. The ratios for the elderly are: ages 66-70, 2.30; ages 71-75, 2.85; ages 76-80, 3.27; and ages 81-85, 3.51. The regressions on which these ratios were computed controlled statistically for health insurance status. Consequently, the 8-to-1 ratio should not be dependent in a major way on the facts that Medicare almost universally covers the elderly and many children are uninsured.

plan—the ratio of health insurance spending on people aged 71 to 75 to that on children would be 8 to 1, and the government spending ratio on these two groups would be 8 to 1. Since Julia Isaacs is clearly disturbed by a spending ratio of 2.5 to 1, she would, presumably be even more upset by a ratio of 8 to 1. But that ratio would arise, in the situation I have described, from identically generous coverage. Furthermore, because insurance typically does not cover all health care spending, the remaining burden of spending for uncovered services would be far larger for the elderly than for families with children. This example underscores my central point: *looking at spending ratios, the principal focus of Julia Isaacs' papers, is an unproductive way to evaluate the fairness with which different groups are treated.*

In fact, health insurance coverage of both children and the elderly is deficient. Both should be a source of concern—and they are. The most serious problem, in my view, is that an estimated 7.3 million children were entirely uninsured in 2008. Health reform legislation now being debated would cover most currently-uninsured children—by extending Medicaid coverage and by subsidizing coverage through insurance exchanges. Proposed changes in Medicare in legislation now being debated are more modest. Some would lower spending (cuts to Medicare Advantage plans and in provider payments). Some would increase spending (elimination of the 'donut hole' in the drug benefit). Other changes, necessary to bring Medicare in line with private insurance—reduced part A deductibles, stop-loss coverage of acute care, and elimination of a life-time maximum on benefits—are not part of current health reform legislation. These changes would boost spending and tend to widen the gap between publicly financed health care spending on the old and young.

On balance, if the legislation now being debated becomes law, the ratio of public health care spending on the elderly to that on children will diminish. But the ratio will—and should—remain high for a simple biological reason—the elderly are more likely than children to suffer from acute, chronic, and terminal illnesses. If health insurance is publicly financed and coverage of the elderly and of children is equally generous, spending on the elderly will—and should—greatly exceed that on children. And even if coverage is equally generous, any coverage short of 100 percent would leave the elderly with larger financial burdens for health care than must typically be shouldered by families with children.

Furthermore, the gap absolute size of the gap would be larger in the United States than elsewhere because other nations spend so much less on health care than does the United States. In that case, a comparatively large absolute gap would not necessarily signal that children are neglected. It would reflect the fact that U.S. health care is uniquely costly—for the elderly, children, and everyone in between. The only practical way to change that situation would be to institute measures narrow the gap between per capita spending in the United States and that elsewhere.

The age-relatedness of health care spending is also relevant to comparisons of poverty rates among children and the elderly. Based on the official poverty threshold, 19 percent of children (under age 18) but only 9.7 percent of the elderly were counted as poor in 2008. A panel of the National Academy of Sciences concluded that the official poverty thresholds are outmoded and proposed a revised definition. The official poverty threshold is a simple multiple of the cost of a basic food budget. At the time it was developed, health care spending constituted just 6 percent of GDP. Now it accounts for 16 percent of GDP.

Because the share of income devoted to health care has grown so much, and because health care spending is so much higher for the elderly than for the young, this shift should be recognized in poverty statistics. Doing so dramatically shifts the age-specific incidence of poverty. Based on the alternative definition developed by the NAS, the poverty rates of children and the elderly were essentially identical in 2005 (Garner and Short).

Furthermore, international comparative statistics show that the U.S. poverty rate among the elderly, as well as among children, is near the highest in the OECD. In 2000, the poverty rate in for the elderly, on the somewhat different OECD definition, was 24.6 percent, higher than that of all nations other than Mexico, Portugal, and Ireland, and vastly higher than those of several other nations, including New Zealand (0.4 percent), Netherlands (1.6 percent), Poland (4.3 percent), Canada (4.3 percent), Denmark (6.1 percent), and the OECD average (13.3 percent) (Förster and D'Erecole).

Notwithstanding this fact, Isaacs writes (Isaacs, 2009b, p. 2): "child poverty rates are high relative to poverty rates for other age groups,' mentioning only later (Isaacs, 2009b, p. 17) that "alternative poverty rates are remarkably similar for both children and the elderly…"

What is remarkable, in my view, is not that poverty rates are similar but that so much emphasis is given to comparisons based on a measure recognized as outmoded and so little to evidence indicating that U.S. poverty rates among the elderly are, like those of children, embarrassingly high.

THE FISCAL CHALLENGE

That the United States faces a long-term fiscal challenge is widely recognized. To an increasing degree, it is also understood that the source of projected increases in the deficit is growth of publicly financed health care spending. The federal budget is currently deeply in the red. These deficits are partly intentional and transitory. They arise largely from recession-related increases in spending and decreases in revenues. This cyclical component of current deficits will end as the economy recovers and as tax and spending policies adopted to fight the recession end.

Part of current deficit, however, reflects a gap between revenues and expenditures that predated the recession. To the portion of the deficit unrelated to the recession will be added additional deficits arising from the growth of health care spending. In fact, publicly financed health care accounts for more than all of the projected increase in federal budget deficits.

	2010	**2030**	**2050**	**Change 2010 to 2050**
Federal government spending (excluding interest)		***percent of GDP***		
Medicare and Medicaid	5.5	8.8	12.7	**+7.2**
Social Security	4.8	6.0	5.7	+0.9
Other spending	13.1	10.4	10.3	-2.8
Total spending	**23.4**	**25.2**	**28.7**	**+5.3**

Source: CBO projections

What this all means is that the *fiscal* challenge is not an *entitlement* problem. It arises from projected growth in federal health care spending and from Medicare and Medicaid in combination. The solution to the fiscal problem cannot, however, be found in Medicare and

Medicaid alone. The costs in these two program reflect two facts: that the U.S. health care *for everyone* is uniquely costly, and that, given the division of responsibility for paying for the care of different age groups, the federal government pays for care of the most rapidly increasing age group.

Rapidly growing Medicare and Medicaid spending is not a reflection of undue generosity of those programs. In important respects, Medicare coverage is currently deficient. Deductibles are higher than is standard in private insurance. In contrast to best practices in private insurance, benefits are capped, so that beneficiaries may face catastrophic losses. Medicaid covers long-term care only for those who are impoverished or become impoverished by the costs of long-term care. Filling these gaps would boost spending.

Some partially offsetting reductions in Medicare spending are possible. For example, expenditures to reduce Medicare fraud could be increased. In addition, some of the elderly and disabled can afford higher premiums or cost sharing for coverage than they

now pay. But the proportion is small. Just 13 percent of elderly households had after-tax, after transfer income in 2008 in excess of $50,000. Of this group, just over half earned

Income Distribution for those age 65 or over, by earnings

	No earnings	Earnings 0-$5,000	Earnings $5,001-$10,000	Earnings >$10,000	Percent of total
Total population	29,628,417	1,124,300	699,312	5,000,529	36,452,558
Number with Income > $50,000	2,089,069	145,535	80,580	2,446,155	4,761,339
Percent with income > $50,000	7.1%	12.9%	11.5%	48.9%	13.1%
Mean Income	$20,351	$26,064	$27,354	$69,592	
Median Income	$14,329	$18,722	$21,002	$49,456	

Source: 2008 CPS

more than $10,000, indicating that they might still be employed full time and therefore covered by private insurance as a fringe benefit of continuing employment. For this group, Medicare liability would be small because Medicare coverage is secondary to private coverage. Among those with current earnings of $10,000 a year or less, median income is roughly $15,000 and just 7.4 percent have incomes above $50,000. In brief, the proportion of elderly Medicare beneficiaries who can afford significantly higher premiums is small. Perforce, the contribution that increased Medicare premiums can make to closing the projected budget deficits is also small.

There are only four ways to deal with the challenge to the federal budget posed by health care spending:

- systemic health reform to slow the overall growth of per capita health care spending,
- curtailment of benefits under Medicare and Medicaid,
- increased taxes, whether or not earmarked to pay for health care, or
- reductions in non-health care federal spending.

The first is now being actively debated, but even those who are most optimistic acknowledge that it will take many years to achieve whatever economies are feasible. They also understand that slowing the growth of health care spending cannot possibly close the entire projected budget gap. Because few of those who are fully retired have resources sufficient to pay much more for the health care than they do now, little of the budgetary challenge can be offset by curtailing Medicare benefits and virtually none, given the poverty of recipients, by curtailing Medicaid. *If America is to continue honoring its commitment to provide the elderly, disabled, and poor—young and old—with health care comparable to that enjoyed by the American mainstream, the hard truth is that the nation will have to choose between higher taxes or cuts in other government spending*. To dwell on ratios of spending on the elderly and children, as this paper does, only obscures that hard reality.

PENSIONS

Pensions comprise a large part of non-health government spending—$1.25 trillion in 2010.[4] The largest single component is Social Security, at $702 billion. Other large components include civil service retirement ($120 billion), unemployment insurance ($92 billion) and food and nutrition programs ($91 billion). Are cuts in those outlays justified?

That Social Security faces a projected long-term deficit is widely understood. The principal reason why this problem is recognized is that the Social Security trustees annually release a report, signed by three cabinet officers and two public trustees that projects expenditures and earmarked revenues over the next seventy-five years. The annual reports relentlessly focus public attention on the longer-term picture. Even if, as now and for many years to come, revenues are projected to exceed expenditures, these reports point to longer-term shortfalls. Such long-term thinking is all too rare. That the annual actuarial reports encourage it should be celebrated.

It is important to note, however, that the annual trustees reports refer to the Social Security Trust Funds. That is not what Julia Isaacs is examining in her papers. She is considering two other matters:

[4] OMB budget projections for 2010

- the balance between Social Security spending and other outlays focused on the elderly and expenditures focused on children, and
- the impact of spending on the elderly on the overall budget.

From a Trust Fund perspective, the issue is how Social Security benefits match up with revenues earmarked to pay for those benefits. From the overall budget perspective, what counts is the size of the budget share devoted to pensions for the elderly.

The distinction between the *'Trust Fund Perspective'* and the *'Overall Budget Perspective'* is critically important. If one is comparing the ratio of spending on the elderly to that on children, revenues earmarked for one program or another are not part of the picture. From the Overall Budget perspective, such revenues are simply part of the overall pool of revenues available to pay for all federal government spending.[5]

The share of federal spending devoted to pensions for retirees is, indeed projected to increase, but not much. And other income security spending is projected to fall as a share of GDP. Social Security spending is projected to grow as a share of GDP by less than one

	YEAR		
	2010	**2030**	**2050**
	share of GDP (percent)		
Social Security	4.8	6.0	5.7
Other Income Security[6]	3.7	3.0	3.0
Total	**8.3**	**9.0**	**8.7**

percentage point over the next forty years. Other income security spending is projected to fall as a share of GDP by 0.7 percentage points. *Over the next forty years, total income security spending will barely change as a share of GDP.* In short, current projections flatly contradict

[5] As it happens, revenues earmarked for Social Security as a share of GDP are projected to decline. The drop is expected because the tax base on which the payroll tax is levied is assumed to shrink relative to GDP as more and more worker compensation takes the form of untaxed fringe benefits—notably, employer-financed health insurance.

[6] Social Security projections are based on CBO long-term budget projections. Other Income Security is equal to OMB's projections in the 2010 budget. These are grown in 2030 and 2050 based on CBO's projected growth of spending other than Medicare, Medicaid, and interest in its alternative budget scenario.

the febrile fears of an 'entitlement crisis.' The United States faces a great big, *general* health care financing problem—full stop!

In addition, as Julia Isaacs notes, current U.S. Social Security benefits are modest by international standards. In fact, U.S. benefits relative to earnings are near the bottom among OECD countries. Furthermore, replacement rates—the ratio of benefits to average

SOCIAL SECURITY REPLACEMENT RATES, COMPARED TO THOSE OF OECD NATIONS		
Half of average earnings	***Average earnings***	***Twice average earnings***
U.S. rank among 30 OECD nations (1=highest, 30=lowest)		
26	**25**	**22**
U.S. replacement rate, as percent of OECD average		
68	**68**	**58**

Source: OECD, *Pensions at A Glance*, table 4.1, p. 49, 2005

earnings—will decline as benefit cuts enacted in 1983, but not yet implemented, take effect. And Social Security 'take-home pay'—what is left over after Medicare Part B premiums have been deducted—will decline even faster, as part B premiums are projected to claim a growing share of pensions.

What is the 'take away'? First, trust fund financing has served the nation well for more than seventy years. It has helped to discipline elected officials, compelling them sooner or later to boost taxes enough to pay for the benefits they promise. Within the Trust Fund perspective, it makes good sense to pay attention to the balance between Social Security outlays and earmarked revenues. From an overall budget perspective, however, the 'take away' is that increases in income security outlays are not a significant problem. Yes, Social Security spending as a share of GDP is projected to grow modestly over the next forty years, but these increases will be partly offset by declines in the share of GDP going for other income security payments, such as public employee pensions. *Fears that pension and income security spending are a barrier to doing more than we now do for children seem misplaced.*

Such fears are misplaced for another reason. Consider a hypothetical and seemingly unrelated question.

• Is the national debt a barrier to increasing federal spending on children?

The answer to that question is straightforward. Managing the debt is certainly an imperative. But the overall public debt is no more a barrier to spending on children than to spending on defense, the elderly, the environment, or anything else.

To be sure, managing the debt means avoiding measures that increase it. But, if that is the concern, Social Security poses no problem whatsoever. On an accrual basis, Social Security has unquestionably contributed to the national debt. Although the Social Security trust funds have accumulated sizeable cash reserves—approximately $2.5 trillion at the end of 2009—current law commits the government to pay pensions greater than the sum of those reserves and projected revenues. This gap is an unfunded liability of the federal government. It was estimated in 2009 at $5.3 trillion over the next seventy-five years.[7]

The unfunded liability comes entirely from having paid previous generations of workers more in benefits than they and their employers paid in taxes. At the time Social Security was created, elected officials faced a difficult choice. They could have paid benefits no greater than the accumulated value of taxes previously collected from retirees and their employers. Under that policy, those retiring soon after benefits were first paid would have received negligible pensions. Such a policy would have meant that a full generation—roughly thirty years—would have passed before full benefits were paid. The alternative was to pay more generous benefits to those who received pensions soon after enactment and whose tax payments could not have covered more than a small part of the value of those benefits. Given the hardships that older workers suffered during the Great Depression, elected officials chose the second option. I think that was the right decision, but even if it was not, there is nothing that can now be done about it.

The fact is that none of the $5.3 trillion unfunded liability Social Security faces over the next seventy-five years comes from promises to pay *current* and *future* workers benefits worth

[7] The 2009 Annual Report of the Board of Trustees of the Federal Old-age and Survivors Insurance and Federal Disability Insurance Trust Funds, Washington, 2009, table Iv.B6, p. 63.

more than the taxes they are paying. Every age cohort born later than 1931—that is, every age cohort under age 77— is paying *on the average* more in taxes than it is receiving in benefits (Leimer, 2007).[8] All of the unfunded liability comes from paying benefits to all age cohorts born in 1931 or earlier—that is, everyone over age 78 in 2009—in excess of taxes collected from them. The extra payments were financed by siphoning off some of the reserves being accumulated from taxes levied on active workers. Workers born in 1932 or later were—and are—paying taxes the present value of which equals or exceeds the benefits they can expect to receive.[9]

The foregoing statements apply on the average to each age cohort, not to every member of those cohorts. The generosity of the Social Security benefit formula varies according to each worker's circumstances—average earnings, marital status, and other variables. Some members of every age cohort—past, present, and future—receive benefits the expected value of which exceeds the taxes they pay. Some receive less. This variation represents the 'social' part of 'social insurance.' But it is the cohort average that indicates whether successive age groups are or are not imposing a burden on future budgets. And the straightforward conclusion is that *current workers will add nothing through Social Security to the debt burden on the rest of the population*. They are paying for their benefits *in full*.

That Social Security *has* generated an unfunded liability is indisputable. These legacy costs result from the generous benefits paid to cohorts born in 1931 or earlier. This debt is conceptually indistinguishable from ordinary national debt, such as that generated by past

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[8] This statement presumes that payroll or other taxes are imposed on each cohort sufficient to balance the system over the long-term. The text statement is straightforward: since the present value of revenues and expenditures must be equal over the long run, and earlier beneficiaries received more in benefits than they paid in taxes, it follows that later beneficiaries must receive less.

[9] The exact year at which the cross-over point occurs depends on the interest rate one uses to discount benefits and taxes. The higher the assumed interest, the earlier the cross over occurs; the lower the interest rate, the later the cross over occurs. In fact, if one assumes a zero real rate, the value of benefits always exceeds the payroll tax cost. In other words, the internal rate of return for every cohort born in 1932 or later (1931 or earlier) is positive and lower (greater) than the Social Security Trust Fund interest rate.

wars. Both obligations are claims on current or future U.S. taxpayers arising from past outlays that were not paid for. One may argue whether paying relatively generous benefits to early Social Security pensioners was wise or foolish. But no more can be done about those payments than about the debts incurred to fight past wars.

Social Security's unfunded liabilities, like payments for past wars, are national obligations. Both will have to be paid for out of current and future production. It is no more reasonable to suggest that Social Security's unfunded liabilities should be paid off selectively by cutting future public pension benefits than it would be to suggest that the unfunded costs of World War II and the Iraq war should be paid for by cutting benefits for the elderly. It is just as unreasonable as to suggest that the cost of fighting World War II, Vietnam, and Iraq wars should be paid off by cutting the defense budget.

Because the nation faces a serious budget challenge, all direct government spending and tax expenditures should be scrutinized. The sensible budgetary policy is to identify those national priorities on which government spending is justified and then to levy taxes sufficient to pay both for them and for debt service. Those unpaid-for expenditures include the costs of past wars, recession-related deficits, and the extra benefits paid to early Social Security beneficiaries.

CHILDREN

None of the foregoing contradicts the powerful case for increased government spending in the young that Julia Isaacs, other participants in the Center on Children and Families, and many others have made. The returns from fostering healthy pregnancies, enriching early childhood experiences, assuring high-quality primary and secondary educations to all children, and guaranteeing equitable access to higher learning for those qualified to pursue it regardless of socio-economic status, are demonstrable and huge. If the United States fails to invest more heavily than it does in such interventions it will do itself irreparable harm. That case for such spending rests in no way on the ratio of federal government spending, or even total government spending, on children to that on the elderly.

Using the ratio of spending on children to outlays on the elderly is analytically unjustified. It is also, I believe, politically short-sighted. It is analytically unjustified because

it narrows the focus of trade-offs to spending on just two groups and thereby omits from consideration the other uses and sources of public funds. Meeting the long-term budget challenge will require looking at the full range of influences on the budget—all direct spending and all aspects of the tax system, including tax expenditures, tax rates, and new revenue sources.

Pitting the interests of the elderly and disabled against those of children is politically short-sighted because advocates of public outlays for children and for the elderly have been—and should remain—allies against those who believe that the role of government should be limited to providing for defense and public safety, and little else. Advocates of a restricted role for government remain a sizable and influential group in American politics. In a nation of two-party politics, progress is based on building and sustaining coalitions. If those who share the view that government should intervene actively to promote social welfare—for children, the disabled and poor, and the elderly—engage in fratricide, each of those groups will suffer.

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