The Intergenerational Balancing Act: Where Children Fit in an Aging Society

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Today’s Children Face Unprecedented Challenges

• A Global War on Terror
• Global warming and other environmental challenges
• A less secure economic future
  – Globalization
  – Low savings rate in the U.S.
What We Should Do:

- Modify these trends where possible
- Equip children for the future

“I still don’t have all the answers, but I’m beginning to ask the right questions.”
The Economic Challenge

- Globalization
- Low savings rate
  - Households
  - Federal government

“Tell me the fairy tale about the economy.”
Deficits as Far as the Eye Can See

• The current deficit will explode once the baby boom retires, swelling to roughly $700 billion

• Reasons:
  – Aging of the population
  – Rising health care costs per person
How are Children Doing?
A comparison of children in the U.S. with children in other rich countries:

• Overall child well-being: 20 out of 21

• The U.S. ranks poorly on all 5 measures:
  – Health and safety: 20 out of 21
  – Family/peer relationships: 20 out of 21
  – Behavior and risks: 20 out of 21
  – Material well-being: 17 out of 21
  – Education: 12 out of 21

Possible Solutions

- Encourage responsible parenting
- Invest in children’s health, education, family environments
- Reframe the social contract between the generations
Current Federal Priorities
(FY 2006)

• Total Federal Investments in Kids: $207 Billion
• Cost of Tax Cuts Enacted Since 2001: $233 Billion
  – Cost of Tax Cuts for Households with $200,000 or More: $87 Billion
• Projected Growth in Spending on Social Security and Medicare, 2006-2009: $198 Billion
• Cost of the Operations in Iraq, Afghanistan, and for the War on Terrorism: $190 Billion

Source: Author’s Calculations from CBO, The Budget and Economic Outlook: Fiscal Years 2008 to 2017, Table 3-1, January 2007; Author’s Calculations from CBO, The Budget and Economic Outlook: An Update, Box 1-1 and Table 1-6, August 2007; Brookings-Urban Tax Policy Center, Tables T07-0213 and T06-0273; Adam Carasso, C. Eugene Steuerle, and Gillian Reynolds, Investing in Children, 2007.
Spending on the Elderly will Crowd Out Spending on Kids

The Budget Squeeze: Fiscal Years 2000 to 2030

Note on assumptions: On the revenue side, tax cuts are made permanent and full AMT relief is provided; on the spending side Defense plus International is fixed at 4.1 percent of GDP after 2008. Authors estimates, The Urban Institute, 2007. Authors’ calculations based on data from the Budget of the U.S. Government FY 2008; CBO's Budget and Economic Outlook, 2008-17 and the Social Security and Medicare Trustees Reports (2006).

The Choices We Face

• Raise tax burdens by 50% or more
• Dramatically reduce benefits to the elderly
  – 50% cut in Medicare
  – 20% cut in Social Security

OR…

“Sorry, friend, but if they’re going to mess with entitlements, I’m going to need a little cushion.”
Revise the Social Contract

• More investment in kids paid for by revenue increases

• More individual responsibility on the part of this same generation to pay for their own retirement
THE WORLD ISN'T FAIR, CALVIN.

I KNOW, BUT WHY ISN'T IT EVER UNFAIR IN MY FAVOR?