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Authors: Boomers won't make economy go bust

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PORTSMOUTH — James Schulz and Robert Binstock are on a mission to thwart the "merchants of doom."

The men, both professors, have given that title to economists, think tanks and politicians who argue that retiring baby boomers will break the nation's economy.

Schulz, an emeritus economics professor at Brandeis University in Waltham, Mass., and Binstock, a professor of aging, health and society at Case Western University in Cleveland, Ohio, crystallized their arguments in a book published in November.

Schulz said the book, "Aging Nation: The Economics and Politics of Growing Older in America," gives the public another side of the story.

Simply put, Schulz says, the economy can handle the impending retirement of 76 million baby boomers by the year 2025.

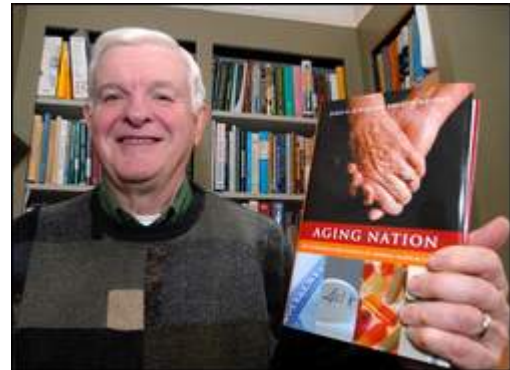
"We see a lot of problems out there, but we don't see the world coming to an end," said Schulz, who lives in Portsmouth.

The "merchants of doom," Schulz said, have for too long touted four themes:

- q Social Security will be bankrupt by 2052.
- q Rising Medicare costs will force society to ration health care services to the elderly.
- q The aging population will drag down the economy.
- q The developments above will lead to generational conflict.

But Social Security can be fixed simply by increasing payroll taxes by 1 percent over several years, Schulz said. He said the federal government could increase the tax by increments of 0.01 percent over time.

Medicare and the health care system in general are much more difficult problems, and



Author James Schulz with his book, "Aging Nation," in his Portsmouth home. Beth Lorden/ Citizen photo

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government intervention will be needed to come up with new ways to contain rising costs, he said.

But that issue faces everyone, he added, not just the elderly.

If a Democratic president is elected in 2008 a bipartisan commission could identify workable solutions for Congress to consider, he predicted.

He argues that no economic analysis or research shows an aging population will drag down the economy.

Rather, economic growth is driven by how well the nation educates its people and promotes technological advances and entrepreneurship, he said.

The book also describes as a political myth the prediction that retired baby boomers will form a voting block to ensure their needs are met at the expense of the economy.

"There is no aging vote," Schulz said. "Older people are just as diverse as the rest of the population, and they don't vote significantly differently than younger individuals. A Republican doesn't become a Democrat when they get old."

Social Security and Medicare have come under constant attack from conservatives, he said.

When Social Security ran into financial issues in the late 1970s and early 1980s, conservatives portrayed retirees as "greedy geezers," he said.

He likened that to the Bush administration's arguments that Social Security is failing and therefore should be privatized.

Privatized retirement accounts would be similar to 401 (k) plans that replaced pension benefits, with individuals assuming risk instead of the federal government, he said.

"There's never been a public opinion poll in the whole country that resulted in people wanting to abolish Social Security," Schulz said.

Policy makers know the country would face severe problems if Social Security and Medicare were eliminated, he said, and ultimately are unlikely to dissolve the programs.

"My fear is that people get so scared from these things that people say there is nothing they can do and they stop saving for retirement," Schulz said. "As long as we have a strong Social Security system, their lives will be financially protected."

Schulz and Binstock are not the only experts who believe the gathering storm of retiring baby boomers can be weathered.

Charles Colgan, a former Maine economist who teaches at the University of Southern Maine in

South Portland, sees difficult challenges ahead for states like New Hampshire and Maine, which have some of the country's oldest populations.

Colgan said New Hampshire has the highest percentage of baby boomers in the country and Maine has the oldest population in the nation by median age.

But he also said the country can address Social Security, Medicare and workforce issues before they become problematic.

Colgan said anyone who plans to retire in the next 20 years shouldn't feel afraid of the future. But they also shouldn't be complacent and assume the country doesn't need to pay attention to its health care crisis and Social Security.

There is no way to tell how many baby boomers actually will retire at a given time, he said.

Unlike previous generations that retired in droves at age 65, Colgan said most baby boomers are not engaged in manual labor jobs.

Boomers who work in office jobs and use technology can work longer than their parents, he said.

"Nobody I know can accurately predict how many baby boomers will retire," Colgan said.

Dean Baker, co-director of the Center for Economic and Policy Research, a nonpartisan Washington, D.C.-based think tank, praised the book by Schulz and Binstock.

More books need to be written that tell people they still have the power to force the government to improve the country's health care system, he said.

"I think it's very much needed," he said. "The idea that this is some catastrophe just doesn't make sense."

He said the problem is not that so many baby boomers will retire in the next 20 years. He called fixing its health care system the nation's real challenge.

"I frankly will be shocked if we don't do something," Baker said.