

## **Life, Death and Deficits**

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America's political landscape is infested with many zombie ideas — beliefs about policy that have been repeatedly refuted with evidence and analysis but refuse to die. The most prominent zombie is the insistence that low taxes on rich people are the key to prosperity. But there are others.

And right now the most dangerous zombie is probably the claim that rising life expectancy justifies a rise in both the Social Security retirement age and the age of eligibility for Medicare. Even some Democrats — including, according to reports, the president — have seemed susceptible to this argument. But it's a cruel, foolish idea — cruel in the case of Social Security, foolish in the case of Medicare — and we shouldn't let it eat our brains.

First of all, you need to understand that while life expectancy at birth has gone up a lot, that's not relevant to this issue; what matters is life expectancy for those at or near retirement age. When, to take one example, Alan Simpson — the co-chairman of President Obama's deficit commission — declared that Social Security was “never intended as a retirement program” because life expectancy when it was founded was only 63, he was displaying his ignorance. Even in 1940, Americans who made it to age 65 generally had many years left.

Now, life expectancy at age 65 has risen, too. But the rise has been very uneven since the 1970s, with only the relatively affluent and well-educated seeing large gains. Bear in mind, too, that the full retirement age has already gone up to 66 and is scheduled to rise to 67 under current law.

This means that any further rise in the retirement age would be a harsh blow to Americans in the bottom half of the income distribution, who aren't living much longer, and who, in many cases, have jobs requiring physical effort that's difficult even for healthy seniors. And these are precisely the people who depend most on Social Security.

So any rise in the Social Security retirement age would, as I said, be cruel, hurting the most vulnerable Americans. And this cruelty would be gratuitous: While the United States does have a long-run budget problem, Social Security is not a major factor in that problem.

Medicare, on the other hand, is a big budget problem. But raising the eligibility age, which means forcing seniors to seek private insurance, is no way to deal with that problem.

It's true that thanks to Obamacare, seniors should actually be able to get insurance even without Medicare. (Although, what happens if a number of states block the expansion of Medicaid that's a crucial piece of the program?) But let's be clear: Government insurance via Medicare is better and more cost-effective than private insurance.

You might ask why, in that case, health reform didn't just extend Medicare to everyone, as opposed to setting up a system that continues to rely on private insurers. The answer, of course, is political realism. Given the power of the insurance industry, the Obama administration had to keep that industry in the loop. But the fact that Medicare for all may have been politically out of reach is no reason to push millions of Americans out of a good system into a worse one.

What would happen if we raised the Medicare eligibility age? The federal government would save only a small amount of money, because younger seniors are relatively healthy and hence low-cost. Meanwhile,

however, those seniors would face sharply higher out-of-pocket costs. How could this trade-off be considered good policy?

The bottom line is that raising the age of eligibility for either Social Security benefits or Medicare would be destructive, making Americans' lives worse without contributing in any significant way to deficit reduction. Democrats, in particular, who even consider either alternative need to ask themselves what on earth they think they're doing.

But what, ask the deficit scolds, do people like me propose doing about rising spending? The answer is to do what every other advanced country does, and make a serious effort to rein in health care costs. Give Medicare the ability to bargain over drug prices. Let the Independent Payment Advisory Board, created as part of Obamacare to help Medicare control costs, do its job instead of crying "death panels." (And isn't it odd that the same people who demagogue attempts to help Medicare save money are eager to throw millions of people out of the program altogether?) We know that we have a health care system with skewed incentives and bloated costs, so why don't we try to fix it?

What we know for sure is that there is no good case for denying older Americans access to the programs they count on. This should be a red line in any budget negotiations, and we can only hope that Mr. Obama doesn't betray his supporters by crossing it.