

Can We Afford Social Security and Medicare in the Long Term?

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The two largest social insurance programs in the United States, Social Security and Medicare, currently comprise 4.3 percent and 3.2 percent, respectively, of the Gross Domestic Product (GDP). In other words, together these programs fund 7.5 percent of all spending on goods and service produced in the country. By 2082, these percentages are projected to grow to 5.8 percent and 10.8 percent, respectively. Thus, in combination the projected share of GDP represented by these programs will increase to 2.2 times the current level over the next 75 years. Viewed from another perspective, Social Security and Medicare expenditures are expected to grow to about 90 percent of federal revenues if revenues remain in their historical range between 18 and 20 percent of GDP.

Many people question whether the nation can continue to afford the promised benefits under these programs over the long term. This is a complex issue, involving both economic limits on transfers of income from workers to non-workers and what might best be called the nation's "values." There is no definitive answer to this question, but it is possible to put the issues into perspective, so that the decisions the nation must collectively make in the future are more clearly defined.