2. The larger question of whether people should work longer at the expense of greater leisure is not addressed. For any individual, the choice between work and leisure is a personal decision. For the society as a whole, it is a value judgment. This comment simply assumes that greater productivity is a public good from an economic standpoint.

3. In a related issue, the disability system is inconsistent in its goals, unfair in its results, and uneven in its administration. Considering its $110 billion annual program cost, and $8 billion administrative cost, it is in imperative need of substantive and procedural reform. But without the fundamental conditions for major reform being present, little can be expected to happen legislatively.

The Seven Deadly Sins in Aging Policy and Research: A Cautionary List for Policymakers and Prognosticators

C. Eugene Steuerle

Pride, envy, gluttony, lust, anger, greed, and sloth—theologians tell us that we become better people by examining these sources of failure.

But my concern here is not with the classic seven deadly sins, but what I feel are the contemporary seven deadly sins being committed in current policy and research on aging. Reflecting on them likewise provides some warning signs for us acting as policymakers, researchers, or prognosticators.

I am not, of course, going to accuse any particular person of committing the sins I am about to discuss, since I am well aware of the Biblical injunction that only one who is without sin in these matters is allowed to cast stones. More to the point, these shortcomings, some of omission and some of commission, are social sins: these overlay the macroeconomic debate on aging even when some of us researchers and policymakers claim personally at a micro-level to have avoided them. Finally, I am sure that some of you have different religious training, and will decide that some of what I label "sins" are actually virtues.

Deadly Sin # 1: Giving Too Little Attention to the Labor Side of the Aging Debate

The first deadly sin is paying too little attention to the labor (as opposed to capital) side of the aging debate. By listing this first, I am obviously preaching to the choir assembled here. I congratulate Cathy Minehan, Bob Triest, and their Boston Fed colleagues for their leadership in taking on this most important, yet usually neglected, issue in the aging policy debate.

Look closely at projections such as those performed by the Social Security actuaries. Ignore any of the black box aspects of what these forecasters do, and it is actually quite easy to approximate their long-term projections by looking at nothing more than the projected change in the ratio of workers to beneficiaries. In a pay-as-you go system, a decrease in that ratio from 3-to-1 to 2-to-1 (more precisely, from the ratio of 3.3 workers per beneficiary in 2008 to 2.1 by 2040) means approximately that per worker revenues need to grow by one-half, or per-beneficiary spending fall by one-third. Those last fractions are fairly close to the projections by the actuaries of what would be needed in revenue increases or spending cuts to restore pay-as-you-go balance by about 2040.

But that labor force issue is not how we explain—I should say, obfuscate—the issue when talking to the American public. Instead, we discuss Social Security's trust fund balances. We talk about spending down the trust funds, even though those funds never contained more than one-tenth of Social Security's long-term liabilities. We talk about introducing individual or personal accounts—like 401(k) plans paid for directly with our Social Security taxes—and pretend that these can magically grow into large future retirement benefits with no sacrifice now. We start examining ways to reshuffle funds so that we can borrow at 0 to 3 percent real interest rates today, invest in a stock market paying 7 percent real annual returns on average, and then reap magic money through arbitrage. All of these ideas are discussed as if there are no risks involved, and no one is on the other side of each financial transaction.

In effect, through these various diversionary discussions, we convert what is primarily a labor market problem into a financial market problem, with financial solutions obtained by wielding our actuarial and economic weapons, making our present value and trust fund calculations, and pretending large gains will be painlessly wrung from better manipulation of these financial accounts.

I've been an observer of Washington policymaking for more than three decades now, and there has not been a single year in which Congress did not adopt some new incentive for saving or investment, often through policies affecting private pensions or retirement accounts or different types of saving plans. Yet national saving rates have declined, personal savings rates have even fallen below zero in recent years, and

most people still go into retirement with only modest private assets. I am not going to go through the reasons why these programs have largely failed, but the history of these failures should warn us about how far we can go in thinking that we can solve this looming labor market problem merely through attempts to ramp up saving, however worthy a goal in itself.

Why have we collectively, as researchers, policymakers, and a nation, failed to pay much attention to the labor market piece of the aging issue? This failure centers in part around the way we define the problem and how we form expectations based on historic precedent. One aspect of the definitional failure, which I will return to shortly, is the simplistic and misleading definition of an "aged" person or society. Right now I want to focus on another simplistic (and related) assumption: that in a growing economy we will always want to retire for longer and longer periods and, therefore, retirement policy is largely a matter of adjusting to that inexorable force.

Perhaps you think this is not a simplistic assumption, but rather that it has well-established theoretical and historical underpinnings. In economic theory, leisure is used to provide closure to some mathematical models that economists use, but, let's be honest: in point of fact, "leisure" is almost a meaningless concept. People, at least those who are not economists, don't just do "nothing." Granted, as societies get richer, people do demand a lot more of many "good" things, and often in increasing proportions. Among those intangible items we seek are freedom from financial pressures and the dictates of superiors in our jobs; we don't like outside forces to command our use of time to do things we really don't like doing. Yet in today's service-oriented and Internet-driven economy, pleasurable activities—including intellectual challenges and enjoyable social interactions—increasingly can be sought on the job, not just through dropping out of the labor force. Fewer of us are stuck at the lathe, unable to talk to friends during the day, or unchallenged mentally on the job. The "new" economy means that we need to revise many of our ideas about what constitutes "work" and what constitutes "leisure."

Now you may assert that regardless of abstract economic theory, empirical and historical work supports the notion that leisure, so to speak, is and always has been a superior "good." I don't think so. Until roughly a century ago, almost no one retired at all from the labor force. Veblen's 1899 book, *The Theory of the Leisure Class*, offers one anecdotal piece of evidence for this assertion, when he contrasts the small leisure class with the much broader working class. Back then, most people were farmers and did some share of the family's chores almost until the day they died. I guess starting from zero, time off from hard work is a superior good for a while, but that does not offer much evidence for its retaining its same value over time, especially when the structure of work is changing rapidly.

Put another way, we don't always seek more leisure. We seek more freedom and more enjoyable and stimulating activities. At various margins those good things might just as well be found in the workplace as off the job. Even if we did want more time off the job, it's not clear why we would want exactly 100 percent time off from work and only for the last third or so of our adult lives.

The industrial revolution, of course, changed work and family structures largely by separating paid employment from family, social, and volunteer life. But the traditional industrial economy has been on the wane for quite some time. Today, in the information age, growth in output more and more centers on services that can be provided in the profit-making sector, the non-profit sector, or the household sector alike. A similar story can be told of growth rates within occupations. Think of occupations in healthcare and the knowledge economy. This change in the economy implies that many aspects of life are becoming less compartmentalized over time. Devices like a period of retirement—a consecutive rather than simultaneous approach to providing the benefits of greater freedom—are less necessary to enable people, while participating in the workforce, to fulfill many different sides of their personal development.

Now let's look beyond theory to actual labor data. Over the last half of the twentieth century, we find that the percentage of adults who were employed in the United States increased rather than declined in just about every non-recession year. Hours of work also increased over this same period. Does this data indicate that we always demand more and more leisure?

Well, some might retort that sociological, not economic, factors were at play during this period. American women entered the labor force

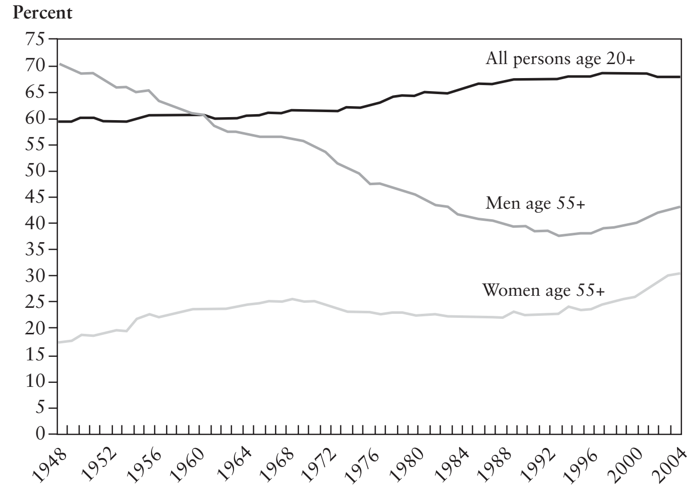

Figure 7.1
U.S Labor Force Participation Rates for Men and Women Aged 55 Years and Older Compared with the Entire Adult Population, 1948–2004
Source: U.S. Bureau of Labor Statistics, 2005.

faster than American men dropped out of it. The Pill meant having fewer kids, while new types of durable goods, like dishwashers and microwave ovens, and institutional changes, like equal rights and reduced discrimination, were all factors that enabled women, often much better educated than their predecessors, to enter the workforce in increasingly larger numbers.

In point of fact, these sociological factors were important, but mostly by empowering women to provide the labor supply that we as a society demanded. That is, there still was a labor demand curve reflecting our nation's demand for goods and services relative to what could be produced.

It is common these days to use time series data of age/sex specific actual labor supply to project future labor supply. A few assumptions are added—for instance, as they age, younger women will have a larger labor force participation rate when they are older than do older women today—but these additions don't have huge effects on the ultimate estimates of aggregate labor supply. Basically, new cohorts of the same age and sex are largely assumed to behave the same way as do current cohorts (with some modest upticks). For instance, if 70 percent of men aged 62 currently don't work, then it is assumed that 50 years from now roughly the same percentage of men that age will also not work. Since there will be a much larger percentage of people in retirement age, as traditionally defined, under these kinds of projections the percent of adults working will decline quite significantly (for instance, from three workers per beneficiary to two per beneficiary).

Yet, in addition to misrepresenting the demand for freedom as a demand for leisure, as discussed above, the complication with this approach is that it essentially fails to assume much, if anything, about even the existence of a labor demand function. For instance, the data over the last half of the twentieth century is roughly consistent with a relatively inelastic labor demand curve boosted by an increase in labor supplied in the formal versus informal labor market, as women responded to the sociological factors already mentioned. When labor demand is introduced, all of a sudden different age/sex groups can be seen to be responding to that demand function according to the sets of relative opportunities facing them, thus helping explain the relative shifts in male and female participation rates. Labor demand also provides a partial explanation for the conversion from defined benefit to defined contribution plans, as employees tend to work longer when defined contribution plans are in place. Traditional defined benefit plans often pushed them out of the workforce at ages as early as 50, 55, and almost always by 60 or 62, as these private plans usually provide negative economic accruals of pension benefits for working longer.

I am not asserting that labor demand is inelastic, only that our projections do not do a good job of dealing with the influence of labor demand on labor supply.

As a prognosticator, I will stick my neck out here. I predict that in the first half of the twenty-first century, older Americans aged 55 years or more are going to occupy the position that women occupied in the last half of the twentieth century—the largest pool of underutilized talent and human capital in the economy. And that in response to a potential shortage of workers, their labor force participation will increase much more than implied by almost all projections made today.

Deadly Sin # 2: Making Policy Without Setting Real Targets

The policy debate over many aging issues usually proceeds without any real targets based upon established principles, such as progressivity, efficiency, or the equal treatment of individuals. For instance, take many of the recent debates that have centered either on preserving the current Social Security system or taking a portion of existing Social Security taxes and directing these toward individual personal accounts that would operate somewhat like individual retirement accounts (IRAs). What do those objectives even mean? "The current system" is hardly a principled target, and neither are "personal accounts." These concepts may be the means to some ends, but the ends need to be specified.

For instance, consider progressivity or "vertical equity," as opposed to equal justice for those in equal circumstances, or "horizontal equity." Presumably one goal of Social Security is to protect people from poverty or to redistribute income in some manner. The establishment of a progressive benefit schedule clearly indicates a desire to instill a fair degree of progressivity, or income redistribution to those less well-off, into the program. Fascinatingly, however, until the past few years almost no one even tried to measure what progressivity the Social Security system actually achieved. Or how this goal has changed over time. Like so many policy debates, the focus seemed to be more on symbol than on substance.

When the 2001 Social Security commission established by President Bush was in the midst of its debate, groups on both left and right tried to lay claim to concerns over progressivity by playing the race card. One side claimed that blacks and other shorter-lived groups lost out in Social Security because of forced annuitization. Opponents of this view asserted that increasing the retirement age would disadvantage these same groups. Yet neither side asked for or used any empirical work to back up their a priori assertions. You'd think those policymakers and economists making such proposals would want to know those facts so they could modify their proposals to achieve some realistic target for progressivity. Ideology trumped empirics.

A similar complaint can be lodged against the debate over whether to carve some personal accounts, almost like mandated 401(k)s, out of existing Social Security contributions. The goal of these accounts is presumably to try to increase the supply of saving. But if that is the goal, then one has to be careful about the deficits the government would likely run to finance these accounts. In addition, even if the government did not finance its saving subsidies out of it own deficits or dissaving, one has to worry about the extent to which individual saving in such mandated Social Security accounts would be offset by the ability of people to put less money in other accounts or to borrow from other retirement accounts like 401(k)s, hence reducing any net saving. These behavioral issues, again, were largely ignored in most recent public debates on Social Security, including those surrounding the 2001 Commission set up by President Bush, as well as his efforts after the 2004 election to generate interest in Social Security reform. To a large extent, these reforms have been debated without agreeing on precise targets as to what the system should do, other than eventually be in some sort of financial balance.

Deadly Sin #3: Limiting the Debate So as to Be Politically Correct

The third deadly sin committed by so many in our economics profession is to limit the debate about aging to issues that are politically correct, at least within each political party or ideology. Topics such as progressivity and increasing retirement savings at least have been on the table, even if these issues were often engaged in a symbolic rather than in a real way. But many other important issues and principles are not even on the table: these considerations have largely been ignored because these are not the politically correct fights of the day.

For instance, whatever happened to equal justice? The current Social Security system sanctions a broad and blanket discrimination against abandoned parents and other single heads of household, one that would be clearly illegal for private pensions and private property. Largely women, these individuals often work more hours, pay more taxes, raise more children, and get fewer benefits than other individuals who just happened to marry somebody with higher earnings. All other sorts of related glitches occur in the current system because of its outdated structure of family benefits designed around an Ozzie-and-Harriet-type household with only one working adult, who is male. Furthermore, consider the inequities surrounding the ability of a worker to generate benefits

for multiple spouses without paying a dime for any of them, the extra benefits offered largely to men who have children late in life, the discrimination in favor of someone working 30 years and earning $40,000 a year over someone working 40 years and earning $30,000 a year, and the denial of any spousal rights to a women who is married to the father of her children for less than 10 years.

I have approached some well-known expert authors of Social Security books and proposals over the years, and all admit that the current system of family benefits, as well as some other aspects of Social Security, are both unfair and inefficient. These shortcomings are slam dunk issues for any reform based on principles of equal justice or horizontal equity, regardless of how one comes out on some tougher issues, such as how large the system should be and the extent to which greater progressivity reduces economic efficiency. But these authors invariably respond that these issues are difficult politically because any remedies would create some losers along with winners, and so they decide to dodge considering them. I find this avoidance, particularly by experts, disturbing. It would be one thing if these problems were confined to a limited period of time. However, in theory we build these systems to be permanent—so the discrimination will last eternally, or at least decades until the next major reform, and will grow in absolute terms along the way. I believe we have obligations as analysts to present a comprehensive and objective picture of the current failings in the Social Security system, and save the political compromises for the politicians to work out.

Deadly Sin #4: Misusing "Aging" as a Term

The fourth deadly sin relates to how we misuse the word "aging," and some potential analytical errors that follow from this misnomer. To begin with, a crucial distinction must be made between the concept of people simply living longer, and the aging of an entire population due to lower birth rates. In the first instance, we are largely measuring improvements in health status at given ages. For instance, a 65-year-old person alive today has more well-being than a 65-year-old living in 1940, at least as measured by having more years of life expectancy at that age and, as it turns out, better reported health status. The phenomenon of more people living longer does not by itself "age" a population; that is, there is no necessary increase in the proportion of the population closer to death or in worse health because of an increase in longevity. Put another way, if "old" means being in the last ten (or fifteen) years of life, or bearing the disabilities that often accompany "old" age, then the fact that we are living longer does not mean that we are spending more years as "aged" or that the population is "aging."

Here's an exaggerated example to make this point. If the population were suddenly to live on average to 100 years of age, rather than to 70 years, would one assert that age 62 is "old" in both scenarios?

On the other hand, the decline in the birth rate clearly does decrease the percent of the population in their early years of life, and increase the percent who are in their last years. For example, the *proportion* of the population within five years of death will eventually rise. In this scenario, social needs might indeed be relatively greater for items like assisted living vis-à-vis transportation or housing.

How "aging" is defined has strong implications for our research and the conclusions drawn from these studies. Many current analyses assume that age from birth represents the same variable in measuring a person's status in 1940 as it does in 2007. To the contrary, I suggest that it is more appropriate in later ages to measure people of equivalent age over time by their remaining life expectancy, or at least their relative age (such as being in the last 10 percent of their lives, as measured by life expectancy).

In one simple analysis, I compared the labor force participation rate of men aged 65 years with the participation rate of men having close to 17 years of remaining life expectancy for the 1940–2001 period. While the former showed a more steady drop in participation over most years of that period, the latter showed almost no drop in participation for about 25 years until the early 1960s, when two major events occurred—in 1962 men were granted an early retirement age of 62, and Medicare was made available in 1965. These different curves imply very different weights for the influence of policy relative to an ever-increasing demand for leisure over time.

Our use of words associated with age and aging also have powerful signaling effects. If 62-year-old individuals are told they are "old," they may act accordingly. I once made an appeal in a column to reform Social

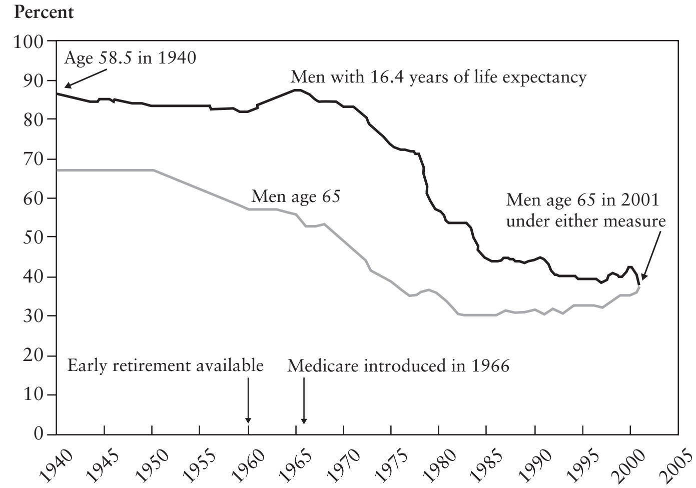

Figure 7.2
U.S. Labor Force Participation Rates for Men, 1940–2001
Source: C. Eugene Steuerle, Adam Carasso, and Meghan Bishop. 2002. The Urban Institute. Based on data from the U.S. Bureau of Labor Statistics, the U.S. Census of Population, and the U.S. Social Security Administration.

Security's Old Age and Survivors Insurance by re-labeling it "The Middle-Age, Old Age, and Survivors Insurance System" when it provided benefits beyond some expected number of years, such as 15. I was not being facetious. The right label would probably go a long way toward achieving reform, since "old" is still correlated in many people's minds with disability and incapacity. Providing early retirement benefits for the middle-aged is a very different animal than providing needed retirement help for the truly elderly portion of the population.

Deadly Sin #5: Ignoring the Balance Sheet

Committing deadly sin #5, ignoring the budget balance sheet, is as easy a trap for policymakers and researchers as the Sirens' call is for sailors. Sometimes, when the amounts are small and the returns to marginal efforts are large, the budgetary issue is less important. However, when programs like Social Security and Medicare become huge relative to the rest of the federal budget, their movement has dramatic effects on other programs, just as the movement of an elephant in a room would affect everyone else in it.

Let me give some examples of how incomplete balance sheet accounting distorts policy predictions.

Consider the issue of taking earlier or later retirement. This decision affects not just benefits but the revenues that fund entitlement programs and the rest of government. Some calculations mainly attend to the effect on benefits, or benefits relative to past cash wages, as in calculations of replacement rates. The Social Security actuaries do better when they look to the trust funds, since those calculations at least incorporate Social Security revenues. But then they stop there.

In point of fact, when a person retires and drops out of the workforce, there is a decline in output and income roughly equal to that person's marginal output or income from labor. As an example, take a worker making $50,000 a year who retires and collects benefits. If there is no new worker to replace this person, national income falls by $50,000, but almost all of the loss must be borne by others. That is, not only must someone come up with the extra $24,000 to pay Social Security and Medicare benefits to this retiree, but existing programs (including Social Security and Medicare) must get by with $16,000 less in income tax, Social Security tax, and other revenues that were used in part to fund other individuals' benefits from government programs. The Social Security Administration does not estimate most of these revenue effects when analyzing reform proposals, nor does it report on the worker's loss of other income from the wages that are foregone.

Another example derives from looking at the federal budget as a whole. Consider first that growth in benefits is so rapid that an average-income 50-year-old couple today is scheduled to get about one million dollars' worth of Social Security and Medicare benefits across the 26 or so years that one or the other is expected to be drawing benefits. That is, this couple would need an interest-earning bank account of $1 million (in today's dollars) by age 65 to cover the cost of its future Social Security and Medicare benefits. Younger couples get even more because benefits are scheduled to increase continually over time.

But we don't need to wait to see what this growth toward million-dollar-plus packages of benefits, plus the decline of the percent of adults working, does to the government balance sheet right now. Between 2006 and 2010, for instance, the cost of paying Social Security, Medicare, and Medicaid benefits is scheduled to grow by $326 billion. The growth in revenues implied by current law is only expected to be $494 billion over the same period. In other words, these three programs will absorb two-thirds of all revenue growth. (Social Security, Medicare, and Medicaid already constitute about 40 percent of total spending.) If defense expenditures fall moderately relative to GDP, and we add in interest on the federal debt, my calculations show that by sometime before 2020 there are no revenues left for any other function of government other than providing defense, Medicaid, Medicare, and Social Security. Basically, middle-aged people today are scheduled, by the time they retire, to get almost everything government provides—for themselves. Their children and grandchildren are not scheduled to get much of anything, until they retire. Clearly, this situation is not morally, economically, or politically sustainable, but currently we are doing nothing to address the balance sheet implications of the policies now in place.

Deadly Sin # 6: Assuming Away Arbitrary Aspects of the Status Quo

Many economists love to argue that the status quo represents some logical equilibrium of market forces striving toward balance. The complication was that, at least until recently, they would discount the influence of arbitrary accidents, herd instincts, and other commonly recognized irrational and unpredictable human behaviors when making policy recommendations.

In the case of aging research, this status quo approach often assumes away the importance of downright bad policy design. Former Reagan press secretary Jim Brady had a term for how these types of situations come about, the BOGSAT method of decisionmaking: Bunch of Guys Sitting Around a Table.

It wouldn't be so bad if we just acknowledged that the BOGSAT method is how much existing Social Security and health entitlement policy was made, and then tried to adjust it pragmatically from then on. But once policy gets enacted, all sort of interest groups will assert that the process for arriving at that result was arrived at in some totally rational way. They will usually succeed in getting some economists to fall in line as defenders of the faith, to bolster their argument that some crazy line of arbitrary policymaking represents some ideal economic equilibrium.

Let me give you one concrete example—defined benefit pension plans. If one thinks about the history of defined benefit (DB) plan design, the main rationale seems to be that early on, when pension schemes were young and seldom fully funded, some employers, or employers in bargaining with unions, decided to reward their long-term, retiring workers. They latched onto this DB design as a way to try to replace in retirement a significant portion of those workers' last years of salary. Gradually the design was extended to the next generations, and government started insisting that such plans be funded.

This design took off and for a time dominated private pension policy. But certain aspects of it were and always have been crazy. Calculate, if you will, the value of the DB benefit in defined contribution (DC) terms—that is, what a person gets if he or she stays on the job for one more year. I initially did this type of calculation when I was first at the Treasury Department in the 1970s, a period when rising inflation kept lowering the economic value of the DB plan for almost all younger employees—but especially those who left a firm before an age that benefits are paid out. (The measure of the last or highest years of salary is not adjusted for inflation, so someone who leaves a firm when 50 years old will suffer a benefit erosion due to 15 years of inflation if the benefit, based on final salary, is provided at age 65.)

This DB plan design creates other problems as well, encouraging some employers to get rid of older workers and encouraging some older workers to quit. Because staying on the job for awhile compounds benefits in an exponential fashion (for reasons I will not explain here), employers offering DB plans have an extraordinary incentive to get rid of senior employees in the fast-accruing years immediately prior to retirement. After all, the $30,000-a-year 50-year-old worker might be accruing $9,000 in pension benefits, whereas the 25-year-old worker paid the same salary might be accruing next to nothing. It might make sense, for instance, to move a plant from Michigan to Tennessee when this non-cash pension compensation gets very high for an aging workforce that has been in place for years.

After their plan reaches peak economic value, on the other hand, employees often move into a situation where they accrue negative economic benefits in their pension plan, so they retire early. Think of school teachers working for state governments, who get a maximum pension benefit of 50 percent of pay after a certain number of years on the job. In this case, if a fully vested teacher paid $50,000 in her final years of employment retires, she gets $25,000 of pension benefit annually. If she continues to teach another year, she gets $50,000 of pay (assuming this salary is capped) but totally loses the pension benefit for that year.

So what is the sin here? Some economists like to argue that DB plans were appropriate for an older economic era where people did not work beyond the age of 55 or 60, stayed with the same employer through most of their lives, and did not have such long life expectancies. Perhaps DB plans were more appropriate in the past than today, but were many of these features of DB plans, such as lack of inflation adjustment, ever really appropriate? The historical data simply do not support the view that in some halcyon earlier period, most American workers were employed by the same firm for most of their lives, and by the time they were 60 years old retired after 35-40 years with a gold watch and a golden pension. Workers who fit this description were the exception, not the rule. Many of the other workers suffered discrimination, albeit legal discrimination, in their compensation packages when they achieved much lower rates of accrual in their pension plans for doing the same job. We need to admit it when crazy sets of incentives like the ones that have evolved from DB plans have real world implications, and accordingly adjust our plan designs, policies, and laws defining what is truly discriminatory.

Deadly Sin #7: Hubris about Knowing the Future

Now let me turn to the most deadly sin of all. Dante believed that Pride was the root of all sins and in *Purgatorio* he suggested that all souls must be first "purged" of that sin. The root of our sins in aging policy and research—the sin from which most of the others flow—is our hubris about being able to predict the future accurately. We then overconfidently enact long-term entitlement policies that hamstring our children from following their own vision for how their society should evolve.

Let me explain this hubris in the context of today's federal budget. We have had budget problems before, but these were always easily contained in the following years simply by showing a little less exuberance in enacting new legislation. Today, however, so many entitlement benefits have been promised for so far into the future that government has lost almost complete control over the future direction of policy. Decisions made in the past continually deter today's policymakers from better allocating resources to meet the current needs of society and the new desires of voters in a democratic society. Those policy decisions that attempt to preordain the future are mainly in the areas of retirement and healthcare, and in both cases the spending growth largely applies to the older adult population (children's healthcare, for instance, is relatively inexpensive).

Fundamentally, the federal government is oriented ever more each year to serving us when we are older. Middle-aged people, for instance, can expect to get larger and larger shares of government revenues for themselves, but smaller and smaller shares for their children or grandchildren. Among other considerations, this approach treats future generations of adults like permanent minors, whose future options must be controlled in advance. If they ever want to do something new with the taxes they will be paying, we budgetarily box them into first having to retract on promises already made. We or our predecessors have essentially put into the law requirements for how all future revenues of the government should be spent for all eternity.

Pride and Prejudice

In sum, aging policy and research needs to pay attention to its seven deadly sins if it is to advance policy in the interest of all U.S. citizens, young and old, living and still not born.

Atoning for these sins of omission and commission will not be easy, but with the aging of the baby boom generation—the first cohorts, born in 1946, start collecting Social Security in 2008 and Medicare in 2011—we

will be increasingly hard-pressed every year we delay fixing those programs. Reform is going to mean swallowing our pride, and giving up our natural prejudices toward old ways of doing things. These ingrained habits are considerable, and include: 1) accounting for a labor market problem mainly in financial terms; 2) fighting over retirement policy without setting targets based on firmly articulated principles; 3) excluding principled reforms because these are not part of today's politically correct debate; 4) poorly defining what it means to be aged; 5) ignoring both sides of the budgetary balance sheet; 6) defending parts of the status quo as natural when these policies derive from little more than past arbitrary decision-making, and 7) maintaining the hubris that we should restrict our children's ability to determine how government should best meet the needs of their future society.