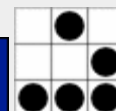


# Armed and Dangerous

Sex, software, politics, and firearms. Life's simple pleasures...



Never appeal to a man's 'better nature.' He may not have one. Invoking his self-interest gives you more leverage.

—Lazarus Long

[« The Obama campaign smells of defeat](#)

[Heh — "Read My Lipstick" »](#)

## Timing the Entitlements Crash

Investor's Business Daily ran a story recently, [Tax To The Max](#), on a Congressional Budget Office study of the U.S. finances. What it says is that spending on Social Security, Medicare, Medicaid, and other entitlement programs is unsustainably high. The study projects tax increases of 150%, with the lowest income-tax bracket going from 10% to 25% and top rates going from 35% to 88%.

The IBD correctly notes: "Allowed to grind on without real reform, Social Security, Medicare and Medicaid will do what no invading army or cabal of terrorists has done or will ever do: bring this mighty republic to its knees. Increasing federal taxes by 150% will strangle economic growth."

I think the IBD is too optimistic. Even pushing tax rates to 100% confiscation wouldn't finance the entitlements black hole at the rate we can expect the client population's needs to grow — especially not after 2050, when the demographics of the U.S. will tilt in a distinctly less favorable direction. A mere 150% increase in current rates certainly won't do it. One way or another, the Federal entitlements system seems headed for a terminal crash. The only question is when it will happen.

Raising taxes can delay this, but not prevent it. And might, actually, trigger it sooner; the historical evidence suggests that current tax rates may already be at above the minimum level where, by suppressing and unhealthily redirecting economic activity, they actually reduce total revenue. (One reason to believe this is that the much-derided "Bush tax cuts" actually increased revenues despite the effects of the dot.com bust.) But even if this isn't true yet, diminishing returns will set in at some point as rates go up.

The only alternative to raising taxes (or deliberately inflating the currency, which in this context has similar effects) is to buy debt and pay entitlements out of that, pushing the unsustainability problem into the future.

The fundamental problem is that income-transfer programs (and the interest service on the debt purchased to keep them running) are spending wealth in higher volumes than the economy can actually generate, and demand for that

spending is rising faster than the economy is growing. Thus, raising tax rates is no longer a way out, if it ever was.

At some point, the U.S. government is going to lose both the ability to increase revenues and the ability to sell bonds. At that point the entitlements system will crash. Transfer checks will either stop issuing or become meaningless because the government has, like some banana republic, hyperinflated the currency in order to get out from under its debt obligations.

Unlike the oncoming European demographic crash, the entitlements crash will be survivable in that there will still be people around to make things and trade things with. But it's going to be ugly. probably rioting-in-the-streets ugly. People dependent on income transfers will starve or die of preventable diseases in large numbers, unless they can find work or private charity. Since many of those people will be old, work will be unlikely unless they are exceptionally capable at something. Families will have to re-assume the burden of caring for their elderly; retirees without children will be in especially severe jeopardy.

Violent revolutions have been fought over less wrenching economic changes than this one promises to be.

The next questions to ask are (a) when will it happen?, and (b) how can the pain be minimized?

There are good reasons to believe the crash could happen as early as 2012, with the trigger being the mass retirement of the Baby-Boom demographic bulge. That is, it will happen that soon if we are lucky.

If we are unlucky, the Federal government will concoct some sort of accounting flimflam (like Al Gore's infamous lockbox full of IOUs from one part of the government to another) that will push back the day of reckoning out past 2020 — making the numbers and demographic profile of the stranded dependents worse every year it's delayed. I think this is the most likely scenario, though I'd love to be wrong.

In the rest of this essay I am going to make, against my best judgment, the optimistic choice of a near-term crash; bear in mind that if I'm actually correct in my pessimism the devastation will be worse...

The pain-minimizing strategy, from an economic and human-misery point of view, would be to voluntarily crash those programs now. Learning the adaptations required to live without them would be easier in today's strong economy than it's going to be in the world after an uncontrolled crash. This is impossible, however, as it would create immediate grief for the political and bureaucratic class that runs them and for various powerful interest groups allied to it. At present, this coalition is certainly powerful enough to block abolition.

My friend Ken Burnside argues for the near-term crash as follows: "The dinosaur killer on the economy is the 53 trillion dollars of accumulated debt on Social Security/Medicaid, which starts coming due around 2013, when revenues for the program are less than its obligations, and all those 'IOUs' that Congress has been writing against the trust fund start coming due."

My best guess is that 2013 will fall in President Palin's first term, after McCain steps down and she clobbers the living crap out of an aging and bitter Hillary Clinton. There's still a possibility, though, that the economy-killer could strike early in an Obama second term. If it goes down that way, I think the chances of Federal flim-flam and hyperinflation go up considerably. Whatever his personal good intentions might be, Obama is heavily tied to interest groups for whom admitting that federal income transfers have to effectively end would be ideological and electoral suicide. Palin isn't, and thus might — *might* — be able to administer the harsh medicine required to pull us through with minimum dislocation.

One of my commenters [posted](#), in the thread attached to [The Obama campaign smells of defeat](#), "I think the worst case scenario will be averted when the decision is made to cut benefits. One of the unspoken secrets is that the 30-and-under generation is fairly confident this is going to happen anyhow, which will help it happen."

His second sentence is quite true. Unfortunately it has been true for at least fifteen years; that is, sensible 30-and-unders had as I recall already written off their old-age entitlements by the early 1990s (when I was in my mid-30s), but this produced no slowdown in the growth of those entitlements at all.

In any case, the crisis could be averted only if the sum of entitlement payouts and debt service were to be cut to a level the tax base could sustain indefinitely. But the government has been buying debt to fund entitlements rather than covering them with year-over-year revenues since the 1960s, which suggests that entitlements would have to be cut to pre-Great-Society levels before they would be sustainable again. No Medicare. No Medicaid. No AFDC. Social Security might survive, but only as the income-banking program it was originally intended to be.

In other words, the political and economic pain from a managed reduction to sustainability would be as broad and nearly as severe as voluntarily crashing the programs entirely. Therefore, it won't happen until the economy-killer hits, for the same reasons abolition is politically impossible today.

Ken Burnside also writes: "If you want to know what the sound of a bullet whipping by your ear is for an economy, the recent broaching of the subject of certain [U.S. Treasury] bond issues being dropped from AAA to AA was one. To paraphrase Alec Guinness, 'I sensed the clenching of a hundred thousand sphincters on K-street, all in unison.'"

He's right. The day U.S. sovereign debt doesn't have a platinum-plated rating, world investors will bail out of U.S. bonds and related dollar assets so fast your head will spin. Since their purchases are, in effect, financing our entitlements system (and the rest of Federal deficit spending), the entitlements crash would follow shortly thereafter.

The general point is that the entitlements system is so heavily dependent on debt finance that it is already vulnerable to external shocks, even before 2013. The next bullet might not miss. Sooner or later, one is certain to hit.

This entry was posted on Friday, September 12th, 2008 at 11:34 pm and is filed under [General](#). You can follow any responses to this entry through the [RSS 2.0](#) feed. You can [leave a response](#), or [trackback](#) from your own site.

## 70 Responses to “Timing the Entitlements Crash”

### **Bret Says:**

[September 13th, 2008 at 12:34 am](#)

Have you considered that raising the age of entitlement for SS & Medicare by just a couple of years pushes the day of reckoning in any scenario back by a decade. Pushing it back something like seven years (I forget the exact number and it varies depending on other economic assumptions) pushes the day of reckoning off forever? People are healthier and capable of working much longer and most jobs don't require as much physical strength as they did in the past, so it's a relatively painless solution.

I also think you're wildly pessimistic on all fronts since you're basically assuming little to no breakthrough technology or business process in the face of overwhelming need (necessity being the mother of invention, after all).

I'm also chuckling over the image of a bunch of old geezers starting a revolution because their entitlements are reduced. Will they have prescription scopes on their rifles? All terrain wheel chairs? Bayonet crutches?

I think that you're also making the mistake of assuming that the taxes are raised from their current rate to the extremely high rates overnight. I doubt that will happen since the solvency will become a problem relatively slowly (over many years). I don't think that there will be such a sharp tipping point that there will be a revolt.

Don't worry. Be happy. :-)

### **Ken Burnside Says:**

[September 13th, 2008 at 12:37 am](#)

This is, by the way, one of the tertiary reasons why I located my business in the Midwest.

WHEN this shakes out, I don't want to be living in a city. I want to be living in a place where I own tangible assets, am known to my community as someone who produces something of value, and where people still raise food a short distance from markets.

I still think that Obama has 60/40 odds of winning in November, based on information out there now. While he's making a solid effort to alienate the Midwest/West, he's a bit too slick and too well handled to pull off an election-year gaffe.

McCain, on the other hand, is a ticking time bomb for a public temper tantrum.

If Obama wins, he doesn't get re-election after the mess we'll see in 2010 or 2011.

While I don't know how to engineer it, the part of me that regards elections as public entertainment worthy of popcorn and covering ones eyes at the scary parts, would love to see Ron Paul in the White House with a Democratic Congress. It would be like watching slow motion video of a crow bar thrown into the intakes of a jet engine.

Europe is going to get their first entitlements crash in '10 or '11. We're going to see a rolling wave of entitlement crashes in '13 through to at least '27. Sarkozy

averted one last year in France by cutting benefits, and they tried to castrate him for it, politically. He's since abolished the maximum 35 hour work week, because he knows that without more productivity, his economy flushes.

We will get a categorical set of examples of what *not* to do from watching Europe in this context. However, much like the people who want to import Britain's NHS to the US, I doubt anyone will learn.

Because Europe won't bite the bullet.

"Well then, if you cannot serve as an inspiration, I suppose we'll have to settle for 'grisly warning',"

**Miles Says:**

[September 13th, 2008 at 5:15 am](#)

So... regardless of whether the US or European economies crash first, it was all the fault of those evil, wilfully ignorant Lefties?

Eric, I applaud you!

**C Smith Says:**

[September 13th, 2008 at 5:44 am](#)

This tale of woe is laid out graphically here:

<http://perotcharts.com>

**David Taht Says:**

[September 13th, 2008 at 7:13 am](#)

The M3 statistic – discontinued a few years ago by the Federal Reserve as “being irrelevant”, and continued by [people that still consider it relevant](#) – shows a rather [interesting and precipitously downward blip over the last 6 months.](#)

**Phil Says:**

[September 13th, 2008 at 7:52 am](#)

No, if we keep going through the belief that the ‘market’ rules all, then we will crash. Read [Chapter 9 of the Conservative Nanny State](#) for more information. A lot of these ‘disastrous’ budget scenarios assume that healthcare costs are not restrained.

**ESR: A correction by the commenter has been edited in. However, the cited chapter ‘explains’ only by making insanely optimistic pro-government assumptions. I found it unintentionally hilarious, in a sick way.**

**krygny Says:**

[September 13th, 2008 at 8:05 am](#)

> The only question is when it will happen.

Hopefully, after I'm dead. That's how a pyramid scheme works. Defenders call it “pay as you go” but it's not. Pay as you go is: you drive over the bridge, you pay a toll; you don't drive over the bridge, you don't pay the toll. Social Security and Medicare are ponzi schemes. You pay into them at the front end, in the HOPE there will be a better payout at the back end. They have to fail, one way or another.

This began to become clear to me, on some level, as early as age 14 when I

saw my first paycheck and asked my father "What's FICA?"

**C Smith Says:**

September 13th, 2008 at 8:24 am

@Phil

>A lot of these 'disastrous' budget scenarios assume that healthcare costs are not restrained.

And what historical evidence, sir, leads you to believe anything short of the final, catastrophic crash will bring about this restraint?

The U.S. non-command of fiscal responsibility would seem to put you into the 'wishful thinker' category.

**Ken Burnside Says:**

September 13th, 2008 at 8:36 am

*So... regardless of whether the US or European economies crash first, it was all the fault of those evil, wilfully ignorant Lefties?*

*Eric, I applaud you!*

No – it's the fault of over 40 years of bad fiscal policy from both sides of the aisle. This isn't an attack on leftists so much as its a "OK, the bills are going to be coming due, and a good case can be made for 2013 and 2014 as the near term time frames.

The only way this Ponzi scheme works is if there are approximately 10 working people per retiree. Yes, your FICA is approximately 1/6th of your paycheck...and the rest is eaten up in overhead. Right now, we're at about 9 productive workers per retiree, with the 10th being made up out of publicly funded debt.

Most of Europe needs that 10:1 ratio as well and are at 7:1 with three workers made out of publicly funded debt. Japan is closer to 5:1.

We'll get to see lots of governments try to do it with smoke and mirrors. If there's anything history has demonstrated, it's that no elected government will ever, en mass, make the decision that ensures its non-election.

One of the handful of things I admire Bush II for is his attempt at trying to get privatization started on Social Security. In 20 years, historians will be looking back at that and going "Oh, if only they had listened..." We saw how quickly that was defeated by the Democratic party and mobilizations by AARP. Perhaps you remember the ads with children advocating AARP positions like "I believe people should keep their promises!" – they were remarkably effective at building a voter bloc outside the Gray Electorate.

**Jay Maynard Says:**

September 13th, 2008 at 8:39 am

My parents were surprised when I rather vehemently rejected their attempt to get me to join AARP...

**Jeremy Bowers Says:**

September 13th, 2008 at 10:58 am

Phil: How can the **market**, which consists of people paying for services they can afford and not getting services they can't afford (to a first approximation) be responsible for the oncoming **entitlement** crash, which by its very nature is a rejection of the market?

The whole problem here is trying to give people services they can't afford, at a

scale that we can't afford collectively. If we didn't do that, we wouldn't be facing this problem. (We'd be facing other problems, but not this one, and my call is the other problems would be less.)

**Phil Says:**

[September 13th, 2008 at 11:15 am](#)

Jeremy, read the chapter that I linked to above. It will explain everything.

**David Delony Says:**

[September 13th, 2008 at 12:15 pm](#)

As I mentioned in the last post, Social Security is a legal pyramid scheme. The benefits currently being drawn come from people currently paying into the system.

**esr Says:**

[September 13th, 2008 at 12:20 pm](#)

>Have you considered that raising the age of entitlement for SS & Medicare by just a couple of years pushes the day of reckoning in any scenario back by a decade. Pushing it back something like seven years (I forget the exact number and it varies depending on other economic assumptions) pushes the day of reckoning off forever?

I've heard this claim before. When I spoke of flim-flam setting us for a worse crash at a later time it's one of the things I intended to include. "Forever" isn't possible

as long as the system relies on debt financing, and if the crash is delayed both the debt overhang and the number of exposed elderly will be worse.

>I also think you're wildly pessimistic on all fronts since you're basically assuming little to no breakthrough technology or business process in the face of overwhelming need (necessity being the mother of invention, after all).

Yes, I'm also "wildly pessimistic" because I reject the possibility that we'll all be saved by the combined magical powers of the Great Pumpkin and the Tooth Fairy. The only breakthrough technology that could prevent this crash is rejuvenation, and no business-process innovation will do it. Have you got a rejuvenation technique in your pocket?

I've actually played with the "we'll get rejuvenation because we have to" idea myself. But it's not smart to bet this will happen, not considering the downside consequences if it doesn't materialize.

>I'm also chuckling over the image of a bunch of old geezers starting a revolution because their entitlements are reduced. Will they have prescription scopes on their rifles? All terrain wheel chairs? Bayonet crutches?

I wasn't projecting actual revolution, just underlining the seriousness of the economic disruption in store for us.

**esr Says:**

[September 13th, 2008 at 12:24 pm](#)

>So... regardless of whether the US or European economies crash first, it was all the fault of those evil, wilfully ignorant Lefties?

I didn't make that case in the post; you're projecting.

I could easily do so, however.

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**Alan Crowe Says:**

[September 13th, 2008 at 12:35 pm](#)

> However, much like the people who want to import Britain's NHS to the US,

I'm a Brit and I find this fascinating. France and Germany do health care differently. If the US were to do a direct copy of the socialised medicine, as done in the EU, it would be something along the lines of California copying the German system while Texas copies the French system.

Socialising medicine on the Federal level is comparable to have an EU wide health care system. Americans don't seem to be aware of how radical that sounds to European ears,

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**dsm Says:**

[September 13th, 2008 at 2:50 pm](#)

Another problem with kicking the can down the road—postponing the date at which one can begin collecting social security—is that it polarizes the now unentitled voters against the politician/party that takes such a position. Remember, the very first purpose of every dollar spent by government is to buy votes in the next election; therefore, politicians are going to error on the side of not pushing it out far enough to lose the upcoming election—not alienating too many voters. Hope for politicians wise enough to see the problem, unpopular enough not to try to save their own political career, and brave enough to fix the problem.

More importantly, how do you hedge? Land sounds like a good investment. Gold would be good if the Fed goes all Weimar Republic on the greenback—assuming you're still allowed to own the stuff. Short bonds and go long on stocks?

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**Busterdog Says:**

[September 13th, 2008 at 4:25 pm](#)

I have read that there is enough money in 401ks yet to be taxed that will keep the system afloat far longer than you realize. That being said, I would like to shut these programs down as fast as possible.

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**Ted Says:**

[September 13th, 2008 at 4:52 pm](#)

One additional complication is the impact to the rest of the budget (defense, transportation, pork spending [OK, some redundancy there]). Certainly in the 1990s the Social Security surplus was used to increase spending pretty dramatically.

Not only will costs go up because FICA receipts will not cover outlays, but other programs will find themselves squeezed as the "easy tax money" of the 90s evaporates.

Expect a BIG assault on the defense budget when the edifice collapses.

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**AJ Lynch Says:**

[September 13th, 2008 at 4:55 pm](#)

I can't figure out how to judge if your \$53 Trillion deficit is reasonable. If I use the approx. current population of 308 million, it comes out to \$172,000 per person!!! That can't be right?

I think your estimate is way off. The Philly Inquirer (and I am not fan of that

paper) did a series a year or so ago that claimed the social security shortfall alone was about \$4 Trillion. If that was close, how do you get to \$53 Trillion?

**Phil Says:**

[September 13th, 2008 at 5:15 pm](#)

esr Says: Yes, I'm also "wildly pessimistic" because I reject the possibility that we'll all be saved by the combined magical powers of the Great Pumpkin and the Tooth Fairy. The only breakthrough technology that could prevent this crash is rejuvenation, and no business-process innovation will do it. Have you got a rejuvenation technique in your pocket?

I've actually played with the "we'll get rejuvenation because we have to" idea myself. But it's not smart to bet this will happen, not considering the downside consequences if it doesn't materialize.

ESR, I find it humorous that you can be so gloomy about the (relatively minor) problem of pensions, but when Jeff or Adrian10 mention the (major) problem of resource depletion, you cavalierly assume that humanity will easily 'innovate' its way out of its mess.

**rhhardin Says:**

[September 13th, 2008 at 5:24 pm](#)

Social security is a made-up crisis. The fix is easy – just raise the retirement age for benefits until there's enough workers to support then-retirees without complaint.

You'd even expect that as life expectancies increase. You get to live (say, average) the last eight years of your life on benefits, not some 20 year vacation after 65.

A free market annuity would already have done that.

If you want to retire earlier, do it on your own dime to bridge the gap.

**esr Says:**

[September 13th, 2008 at 5:34 pm](#)

>ESR, I find it humorous that you can be so gloomy about the (relatively minor) problem of pensions, but when Jeff or Adrian10 mention the (major) problem of resource depletion, you cavalierly assume that humanity will easily 'innovate' its way out of its mess.

I'm going by the historical evidence. Markets do solve resource-scarcity problems routinely, but governments almost never solve politically-loaded problems of this magnitude before collapse (I say "almost never" as caution, in fact I do not know of any counterexample). Optimism where optimism has been justified on past performance; pessimism likewise. This is called rational risk estimation; perhaps you've never encountered it before?

You are also underestimating the scope of the "pensions" problem. For starters, an entitlements crash will blow up the finances of the entire U.S. Federal government. If the consequence of this is that Treasury bonds go from gilt-edged to junk (which is quite likely), the ripple effects on the world economy will be severe.

**James Says:**

[September 13th, 2008 at 5:39 pm](#)

Hi Eric,

One thing you said is factually incorrect.

You said that extending the retirement age won't solve the problem, only push it down the road. This can't be. Imagine if you extend the retirement age to 95. Then most people would die and never collect anything, and the system would be in wild surplus forever (not just solvent – but in wild surplus).

There must be some retirement age where the money coming in is in balance with money going out forever. Maybe its impossible to get to that retirement age from a political perspective, but mathematically it works.

James

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**Daniel Franke Says:**

[September 13th, 2008 at 5:59 pm](#)

> but governments almost never solve politically-loaded problems of this magnitude before collapse (I say "almost never" as caution, in fact I do not know of any counterexample)

In their own minds, the Chinese' population control law probably qualifies. But I've already railed against the unbelievable stupidity of such measures.

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**Adam Maas Says:**

[September 13th, 2008 at 6:01 pm](#)

Phil: Frankly, resource depletion is an engineering issue for the most part. Available resources aren't going to be actually depleted anytime in the next millenia, but unless significant development of space happens all those resources will not be accessible to us. As Pournelle put it, it's raining soup out there and we can't be bothered to build bowls.

Note that hydrocarbons can be synthesized from biomass of various types. The oil-based transportation system may be inevitably doomed, but it's merely a legacy of easily accessed, energy-dense fuels. The other uses for hydrocarbons can be covered via synthesis if the infrastructure is built. And there's more than enough time to build it, the US has unproven oil reserves totalling twice the historical aggregate oil usage, and there's large untapped or lightly tapped reserves outside the US (The new Brazilian field, Alberta Tar Sands, etc).

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**Adam Maas Says:**

[September 13th, 2008 at 6:02 pm](#)

@James: unfortunately that's not the case, as average lifespan trends upwards so does the required retirement age to balance the issue, especially since current medical techniques appear to be increasing lifespan faster than working lifespan.

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**esr Says:**

[September 13th, 2008 at 6:08 pm](#)

>Imagine if you extend the retirement age to 95. Then most people would die and never collect anything,

Yes, and because that's the case, the political pain incurred would be equivalent to abolishing the system. Which is why it won't happen. But, in any case, beware of your assumption. Lifespan is going up; unfortunately, *productive* lifespan is not rising as fast. The size of the public-debt bomb is proportional to the difference between the eligibility age and the average age of death; the size of client need is proportional to the difference between the age when most people

can no longer work and the age of death. If the eligibility age is above the age when most people can have productive work, you have resurrected exactly the problem pension systems were intended to solve.

So screwing with the retirement age can change the financial picture, but only by making the effect of the program a bad joke, as you illustrated nicely with your extreme example. The only permanent fix would be rejuvenation technology.

**Tcobb Says:**

[September 13th, 2008 at 6:15 pm](#)

We might not be able to avoid a crash, but we can make it less devastating. As for Medicare and Medicaid, I would freeze the amount of dollars that could be spent for it, and that amount would not be indexed for inflation as the years went by. As for Social Security, I would allow people to opt out of the system. In essence, if you decide to opt out and thereby forfeit any right to receive benefits, you only have to pay FICA for X number of years, which would be based on your age. And for every year that the income to SS is less than the money paid, raise the age requirement to balance it.

It would be a lot better than going cold turkey, and it would gradually erode the political barriers against outright abolishment of these programs.

**GK Says:**

[September 13th, 2008 at 6:25 pm](#)

So pack up and move to Asia, and be done with it. There are many booming countries to choose from.

India, the Phillipines, Taiwan, South Korea, etc. are democracies.

China, Thailand, Malaysia, Singapore, etc. are not, but that won't affect you much on a day-to-day basis, as these countries are safe, clean, and orderly.

If you don't want to move to Asia and want to save America, the solutions are simple (not easy, but simple) :

- 1) Raise the retirement age slowly, indexing it to life expectancy. Our failure to do this is how the whole problem started to begin with.
- 2) Increase immigration of WELL-EDUCATED people who earn good salaries (who are usually from Asia).

That is really all that is needed.

**Mike Says:**

[September 13th, 2008 at 6:27 pm](#)

Ok, Phil, I read chapter 9 and IMHO it's Great Pumpkin and Tooth Fairy BS. The whole argument is based on the assertion that the bureaucratic overhead of the SS system is 0.5% while that of public pension and 401(k) systems is 15-20%. Sorry – I have a 403(b) and the expense ratios are in the low single digits (depends on the particular funds I subscribe to in the account). Same for my wife's 401(k).

But the real issue is not how much or little we have to pay SS drones to keep the books; the issue is where the damn money is to be found. There is no "trust fund", there's just a bunch of IOUs coming due in the very near future that will have to be funded somehow. Unfortunately, the only two options are an entitlements crash or hyperinflation (think Zimbabwe).

I say this as a 60 year old who knows I'm not going to get out of SS what I put

in, much less what I would have been received had I been able to invest it. But I did have the pleasure of telling my Dad before he died that I was glad I got to pay for \*his\* SS. Years before, my Dad, while only a high school graduate, clearly saw the Ponzi scheme. Why can't you?

Keep clapping, Phil, and Tinkerbell will come back from the dead.

**GK Says:**

September 13th, 2008 at 6:28 pm

Even in the scenario above, the US stock market would not permanently crash. Most profits are from overseas, and so the US stock market is significantly decoupled from the troubles that SS/Medicare will cause.

**Kevin R.C. O'Brien Says:**

September 13th, 2008 at 6:36 pm

The chart cited in an early post is in fact deceptive.

It is a chart of Federal *discretionary* spending and is designed to make it look like the USG spends all its money on defense. Defense is indeed the largest component of discretionary spending, but discretionary as a whole is dwarfed by entitlements.

"Defense" spending is also larded with earmarks — for example, those by Carl Levin (D-MI), who sold tens of millions in handouts to GM for \$29k in bribes campaign contributions — for one example only. Judd Gregg (R-NH), Ted Stevens and Don Young (both R-AK), Jack Murtha (D-PA), and many other representatives and senators are for sale, for the right price. Basically, they're all crooks.

DOD spending would be much smaller if it didn't have to include a kiss for every Congressman's favorite lobbyist, girlfriend, boyfriend, spouse or kid. Obama's given earmarks to a hospital which kicked back to his wife; Biden, to a bank that kicked back a six figure no-show "consultancy" for his son, who's never seemed able to make it without Dad turning the rain on. Harry Reid has four or five kids — all lobbyists, all dependent 100% on handouts of tax money from Pop.

Remember Duke Cunningham (R-CA)? That was then and this was now, and he's now Inmate Number 56838-065 at this fine eleemosynary institution: <http://bop.gov/locations/institutions/clp/index.jsp>

His problem was earmarks. None of the other earmarkers are any more on the level than he is. They're all crooks (which I've already said, but it bears repeating).

**esr Says:**

September 13th, 2008 at 6:40 pm

>A lot of these 'disastrous' budget scenarios assume that healthcare costs are not restrained.

There, I'm afraid, we have a chicken-egg problem. The underlying cause of insanely high health-care costs is government subsidies for health care; health-care providers have adjusted exactly as you would expect to an environment in which the payer is not price-sensitive, by gold-plating everything. It's exactly the same reason military hardware is so ridiculously expensive.

So to solve the problem, you need to scrap the subsidies. Then, live through the pain and death while the health-care industry finds the efficiencies it needs to operate on much lower prices.

**Mike Says:**

[September 13th, 2008 at 6:47 pm](#)

TCobb's proposal is interesting but irrelevant. The reason? People like me (60 years old).

The proposal does nothing for me. And while I believe I'll be ok with my own retirement savings (assuming no hyperinflation), there are a lot of Boomers who are not in this position. These are the folks that are going to trigger any crash – and if your program goes into effect, the crash will just come sooner.

Oh, and given the way state and local pensions are underfunded, I believe a lot of my contemporaries are going to be doubly hit just about the time they are no longer able to contribute to the economy.

**Jim Bennett Says:**

[September 13th, 2008 at 6:49 pm](#)

Eric, I usually think highly of your opinion, but I am at a loss as to why raising the retirement age would constitute postponing the crisis. Raising the retirement age is a benefit cut, pure and simple. Better yet, assuming many of the later-retiring continue to work, it adds contributors to the system. It helps the ledger on both sides. We need to be thinking about what other changes go with raising the retirement age. A good start would be raising the forced-retirement limit for government employees, etc. Also, it would keep more people on their employers' health plans and off Medicare, lowering Medicare costs.

It's also the fairest benefit cut. Younger-elderly (65-75) can continue to work, for the most part, and will actually have higher incomes than if they retired. The older cohorts are far less likely to be able to work, and the lower income tiers, who rely primarily on SS, would be very hard hit by benefit cuts.

**esr Says:**

[September 13th, 2008 at 7:18 pm](#)

>I am at a loss as to why raising the retirement age would [only] constitute postponing the crisis.

I guess I didn't explain myself clearly. Thinking about it, I'm not sure all the scenarios can be laid out in a blog comment. Perhaps this will be my next post.

**FICA Says:**

[September 13th, 2008 at 7:22 pm](#)

FICA in italian means sexual intercourse, in a crude reference. It has always been a fitting description of the social security scam. The humor of this has never been lost on me.

**Alice O'Finn Says:**

[September 13th, 2008 at 8:06 pm](#)

No, raising the retirement age will not fix the problem. Seniors would simply crowd into the disability sector. Life expectancy means nothing to disabled diabetics, Alzheimer's, heart disease, post-stroke patients, etc etc. All of these disabilities—and even more psychiatric disabilities—pile up with age.

There is a psychological barrier to working past a certain age. Seniors vote in much higher proportions than younger people, and AARP does a good job of lobbying them against the type of legislation many are proposing.

If you think it's not a problem, well, just keep believing it. Either you and yours will pay a severe price, or you won't. I'm thinking you will.

Look at what's happening in Europe right now. A continent with a shrinking population from refusal to bear children, and besieged by violence-prone, uneducated, untrainable religious fanatics, and the topic of delayed retirement age is driving the people insane. Who do they think is going to take care of them when they take retirement at 55?

**ts Says:**

[September 13th, 2008 at 8:10 pm](#)

@Phil – I looked over the Chapter 9 that you recommended, and failed to see anything in there that addresses the long term liabilities of the existing system. The author is writing about how the existing Social Security system has low administrative costs. That is not the argument here, but rather that the accumulated costs of promised benefits will bankrupt the system in short order. I am also amazed at his example of saving 2000/yr in a 401K plan for 30 years will get you \$90K. If you reverse engineer that, accounting for a reasonable rate of inflation, the author projects a rate of return less than 2%. I believe that the technical term for what he has written is codswallop.

**djr Says:**

[September 13th, 2008 at 9:24 pm](#)

Isn't it likely that the gov will simply steal the retirement funds of the responsible people (401Ks, pensions...) – in the way they always penalize the more productive for the less? I'm quite sure that they'll find some rationale to pull this stunt off with – something like, we'll tax 50% of your 401K, but we'll cover 100% of your medical expenses at the local veterinarian. I'm beginning to sympathize with the old luns that hide their money under the mattress.

**Phil Says:**

[September 13th, 2008 at 10:17 pm](#)

I still think rejuvenation is definitely possible. The atom has been split. A man was sent to the moon. Rejuvenation will definitely be possible. Its just supply and demand.

**Concerned Pro-Lifer Says:**

[September 13th, 2008 at 10:23 pm](#)

The solution to this is rather nasty and one that I cringe at the thought of. ESR is right to call it "revolution" because it will be a blood letting. However the generation that brought abortion will be forced into euthanasia to fix this problem. Ironically its the AARP who will be the driving force to allow euthanasia to become widespread. Once its in the door it will be an easy move from voluntary to "this is the standard treatment for that medical condition at your age"

**Phil Says:**

[September 13th, 2008 at 10:45 pm](#)

Mike, comparing pay-as-you-go systems and Ponzi schemes only make sense if you are economically illiterate. You can read [this](#) for more information. Pay-as-you-go systems have proven to be quite stable so long as population demographics are stable. While we will pay more for retirees in the future, that also means we will have to pay less for children, and as any parent can tell you,

children are expensive. This means reduced education budgets, reduced children's healthcare budgets (children get sick from anything), reduced spending on orphanages, fewer low-interest college loans, etc. An older population also does not spend as much, so they tend to have a lot more money.

**Madame X Says:**

September 13th, 2008 at 10:47 pm

To the person who suggested allowing increased immigration of well-educated Asians, be aware that many of the Koreans, Taiwanese, etc., who come to this country "re-unify" with their elderly relatives as soon as they are legally able to by BRINGING THEIR ELDERLY RELATIVES HERE and then immediately signing them up for every conceivable government benefit, despite having given the U.S. government a written guarantee that their family members will not be a burden to the U.S. taxpayer.

There is massive fraud going on with these old Asian geezers. On top of the fact that they shouldn't be here in the first place, they hide all of their assets back in the old country, or put them in the names of their children, and make themselves "eligible" for SSI (yes, Virginia, there IS a Social Security payment available for people who have NEVER worked a day in this country.) There are apartment buildings in California that are filled entirely with elderly Asians using HUD housing vouchers, collecting food stamps, SSI, and going to free medical appointment after free medical appointment. If the government would start throwing out a few of the "hard-working model minorities" perpetrating this fraud, the rest of them would start playing by the rules. It's impossible to convict the elderly relatives of fraud, and often close to impossible to convict the worthless middle-aged children who brought them over here and signed them up for government programs, because the minute you go after them their English-language skills magically disappear. "I not realize Granny not entitled! I not understand rules! I not know what I sign! I sign where lady behind counter tell me! I not guilty! I no speakee English!"

**Phil Says:**

September 13th, 2008 at 11:25 pm

So pack up and move to Asia, and be done with it. There are many booming countries to choose from.

GK, you may want to carefully consider moving to Asia. They are not nearly as [free-market oriented](#) as you might think.

India,

What, you mean the place where [Communists democratically control a large region of the country](#).

the Phillipines,

From Wikipedia: "Despite the growing economy, the Phillipines will have to address several chronic problems in the future. Strategies for streamlining the economy include improvements of infrastructure, more efficient tax systems to bolster government revenues, furthering deregulation and privatization of the economy, and increasing trade integration within the region and across the world. The Phillipine economy is also heavily reliant on remittances as a source of foreign currency, surpassing even foreign direct investment. China and India have emerged as major economic competitors, siphoning away investors who would otherwise have invested in the Phillipines, particularly telecommunications companies." A remittances based economy is never a good sign.

Taiwan,

Yeah, as long as China allows it.

█ South Korea, etc. are democracies.

South Korea is good, but it may soon absorb North Korea. West Germany (20 years later) is still burdened by the problems of East Germany, and South Korea is not as strong as West Germany was, and North Korea is VASTLY weaker than East Germany was. Reunification will likely cause structural problems for decades.

█ China,

Yeah, China, with its One-Child policy, is set to become an old folks home a bit sooner than the US. That seems like it would be running even closer to your problems.

█ Thailand,

Thailand is a good choice, but with the current political chaos I would be wary of choosing it as a stopping point. Political chaos tends to make people wary of foreigners.

█ Malaysia,

As long as you don't mind living under Sharia law.

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**PapayaSF Says:**

[September 13th, 2008 at 11:53 pm](#)

Nobody has mentioned the public pensions crisis which is already hitting various states, counties, and cities. Vallejo, California recently went bankrupt due to various factors, but a major one was generous salary and benefits for current public employees and retirees, which can't be easily reduced when the economy turns sour. I suspect we'll see many more such local/state crises before we see one at the national level, and that states will be "laboratories of entitlement reform."

**crosspatch Says:**

[September 13th, 2008 at 11:59 pm](#)

1. Take the retirement age to 75.
2. I don't have a good answer for medical costs. I believe we are over insured and costs are higher because people don't do things to keep their costs down because their insurance pays for it. People would be buying their own packs of basic supplies at the pharmacy before they went to the hospital at 1/10 the cost if they had to pay for the stuff themselves but the insurance pays the hospital inflated costs for a towel or gauze sponge.
3. Free cigarettes for everyone over 50.

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**Alan Kellogg Says:**

[September 14th, 2008 at 12:19 am](#)

I receive SSI thanks to cinical depression plus a possible complication. As long as I take Effexor and live in a stable environment I can function well enough to fend for myself and blog a bit. If SSI ever dried up I'd be in deep trouble. That said, along with the money I receive there's also the administrative cost of getting that money to me. Plus the administrative cost of paying for my medication, my psychiatric visits, and general medical costs. And in the case of my medical treatments, you have the administrative costs accrued by the doctors I see. All of which are costs you, in some way or another, bear.

Now being disabled I do save you a bit of money. Being, clinically speaking, insane, I'm considered competent enough to contract with doctors myself, instead of having to go through an HMO. So my doctors can deal with the state of California directly when it comes to Medicaid reimbursement, instead of having to deal with an HMO's bean counters. Still and all all the administrative crap adds up.

As I noted previously, gainful employment is stressful for me. I have my suspicions about why that is, and I'm looking into it I can blog and comment and write to some extent, which is how I contribute what I can to society. They also serve who only post and link to interesting stories. Which leads to the following.

I make more than \$65.00 a month outside my SSI payment one dollar for every two over is deducted from my payment. For 2008 I've been getting \$952.00 (I think, I space things like that) a month. So if people sent me something like \$1969.00 a month in contributions and donations, I would get no SSI. And at that my patrons would be spending less money than the U.S. and California governments do.

Not only that, but at around \$2,000.00 a month I'd be able to pay the full rent on my apartment. Thus HUD would not be called upon to pay the rest. (I'm aware that this is important, but I tend to forget important stuff until later. It's the way I am, and a good part of the reason I'm considered disabled.) So you, the tax payer, would save even more on administrative costs.

Now add together all the administrative costs attendant upon providing for all the SSI recipients out there, and you're talking a shitload of shekels. Even if you sent us all money via PayPal you'd still be spending less money to provide for our needs than by doing it via government.

Now add in those other benefit packages and I'm sure you'll see how big a part of the problem administrative costs are. But, it requires acknowledging the fact you don't need the government to take care of people like me. I dare say, you could probably provide for my needs more effectively and at lower cost than government bureaucrats could ever dream of. Or would ever want to.

(Adopt a Whacko: Do you have a spare bedroom? Do you have education and training in caring for weirdos, whackos, and leftists? Would you like to see a huge reduction in your tax bill? Then Adopt a Whacko! No payments, no poorly trained, ill educated bureau-nannies poking their noses into your lives. All you need to do is provide a safe and stable environment for your tenant, and be willing to take some measure of responsibility for his behavior. Can you be responsible for someone who isn't capable of being entirely responsible for himself? Then Adopt a Whacko is for you. For additional information visit either <http://www.boguswebaddress.org> or call 1-888-totally non-existent phone number and become adoptive parent to a moonbat or wingnut today.)

### **Roger Godby Says:**

September 14th, 2008 at 12:59 am

I live in Japan and am thinking of returning to North America, partially because I'm involved now in education and the number of Japanese to educate is shrinking. Like Japanese, South Koreans, too, are not reproducing. I believe China as well has a looming problem of many oldsters, few young, and a culture that (in some areas at least) makes aborting females acceptable, with the result that M-F ratios are starting to skew male. I think the "abort females" issue applies to parts of India as well.

I'm amazed at how much faith people have in government promises. I'm guessing the US will turn to hyperinflation. Owning property in a rural area, growing and canning some of your own food, maybe able to go off-the-grid with solar and/or burning methane off fermented waste, being armed: worthy of consideration. Being in NYC/LA/etc.? Yikes.

Or, become Amish.

**capsela Says:**

[September 14th, 2008 at 1:21 am](#)

Yawn...

The sky isn't falling chicken little. As your first poster mentioned, answers are pretty obvious.

A simple privatization would solve it all in a heartbeat.

It's too bad really, a meltdown like you describe sounds pretty exciting.

**Milhouse Says:**

[September 14th, 2008 at 1:40 am](#)

One of the problems with the chapter Phil sent us to read is that it assumes admin overhead is the place to look for wasteful spending. If admin costs are only 3% of revenue, that means 97% is being spent on what the program is for, which is good, right? Not really, as even the most casual glance at how Medicare is actually run will prove. A good deal of that 97% is going to pay for unnecessary, and unnecessarily expensive, medical treatment, equipment, etc. The administrators who are supposed to audit the payments and prevent such things aren't there, because only 3% is going to pay them. And because there aren't any shareholders breathing down their necks, the admins they do have have no real incentive to look for these cases and cut them. Hey, I can set up a system that will have almost 0% overhead; just have everyone file electronically, and pay every claim automatically, without question. 99.9% efficiency, right? How could it possibly go wrong?

**AJ Lynch Says:**

[September 14th, 2008 at 10:11 am](#)

Privatization is the answer but retain one-third of current tax to fund benefits for those who become disabled.

This would mean 4% of the current 12% goes to the govt and the individual gets to invest 8% in some highly restricted no-withdrawal til 65 accounts. That is the simplest way to go.

A hybrid version of that plan would be to take 4% into private acct. The remaining 4% goes into a common- good type acct that gets whacked up equally and shared at age 65 by all those born in the same year.

**Milhouse Says:**

[September 14th, 2008 at 10:38 am](#)

About 20 years ago I came up with this plan, which, had it been implemented then would, I think, have "saved" SS. Announce that from now on, on every 1-Jan the retirement age will go up 3 months. Anyone already retired and receiving benefits is unaffected, even if they're under the new age, but anyone not yet retired will have to wait another 3 months. But this is not a one-time thing, it keeps going up 3 months per year, forever. The younger you are, the longer you have to prepare for this. If you're already 64 and getting ready for retirement, the most you'll have to delay your plans is 3 months, but if you're 30 you know right now that you won't qualify for SS until you're about 74, and you should plan around that. If you want to retire earlier, start saving.

**David Bartoli Says:**

[September 14th, 2008 at 1:12 pm](#)

I believe most are missing the point in the article above. All entitlements will have to be cut to one degree or another. Don't harp on SS so much, those who have SS coming (they hope) know how to work and make money. They will survive at a lower level but they will survive. They, by their work have developed some resources and skills to fall back upon.

The problem is the millions of citizens and illegal aliens who have never worked, won't work or don't have any saleable skill. These 22,000,000 illegals, the millions of people on welfare, food stamps and other entitlements are totally dependant on the government's handouts. This group makes up over 25% of our population! For every retiring senior there are four other dependent younger people. Added to this we have 40% of the work force employed by some level of federal, state or local government. They do not produce they only administrate. That leaves use with about 20% of the population producing for themselves and for the other 80%. The vast majority of the producing 20% will retire in the next 10 years. It is amazing to me it has gotten this far.

The government has placated them for 4 generations with food, money, medical and rent. When this group is cut off you will have your predicted rioting. They are not all old. They believe these benefits are their rights. To them entitlements are survival, take that away and see what happens.

Just imagine the coming day here in California when the food stamps are history along with section eight housing, free medical and no more welfare checks will ever be issued. It will be the seniors on SS they go after economically and then physically to take what they have left. Our state is bankrupt and social services are shutting down. The liberals refuse to pass a budget without increased entitlements and the legislature is at a budgetary stalemate. The collapse has already started in California. The only bills to get through the California legislature are for gun control because the politicians know what lies down the road.

Unfortunately we have had a cowardly government that has placated generations into a false promise of financial security guaranteed by the government. FDR started this to placate people during the Great Depression. They basic law of economic security is you must produce more than you will consume in your entire life. The next step to this law is our society must produce more than it consumes. We have not produced more than our consumption since about 1962. We have been writing checks that we can't cash since 1962. The government has inflated the currency regurly since 1962 to cover the shortfall. How long our government sustains this system will determine the depth and severity of the ultimate financial collapse.

**Mike Says:**

[September 14th, 2008 at 5:00 pm](#)

Dear Phil:

We can trade ad hominem attacks, if you like, but I'd prefer to deal in facts. You may argue that a pay-as-you go system is self-sustaining as long as the demographics are stable, the contribution rate is reasonable, and the pay-out is based on these factors. Unfortunately, since SS was instituted the demographics have been driven by facts on the ground (i.e., birthrates) and pay-out has been driven by political muscle (i.e., it has no relation to the demographic reality).

I wish I could be as sanguine as you that as the population grows older resources will be seamlessly shifted from education, etc., to fund SS, Medicare, et. al., and that the resources moved will be sufficient to fund the pay-as-you-go system. The fact that SS is already underfunded, as Eric points out, is a nasty fact that upsets your rosy scenario. In addition, I'm not at all certain that the shifting, even if sufficient, will be simply accepted by those younger than I.

Quite frankly, I believe I know at least as much about economics as you, given the silly (2% average annual yield on investments? 15% annual service rate?) and irrelevant (no substantive discussion of the issues of SS sustainability) web post you keep telling us has All The Answers.

I stand by my assertion that SS, Medicare, et. al. are an unsustainable Ponzi scheme, given the demographic facts and the lack of political will to address the problem. And while I wish I could share in your optimism that Everything Will Magically Turn Out OK, I think you are being naive. I'm an engineer – I can't afford to believe in magic.

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**Miles Says:**

[September 14th, 2008 at 7:03 pm](#)

Depressingly, I have to agree with Eric on the likely political (lack of) reaction to this problem: the kind of short-termism and foot-dragging he describes is all-too familiar to every climate change campaigner.

I'm surprised that nobody's discussed the other proposal in Phil's article: making it easier for foreign doctors to practise medicine in the US, driving down costs of healthcare – and I suspect, in the slightly longer term, the cost of obtaining a medical doctorate in the US. It sounds like the kind of market-oriented approach that would receive great favour around here.

The real game-changer wrt healthcare costs would be some kind of technology that would remove human doctors from most routine medical treatments, so people could "pay for their own basic supplies at 1/10 the cost" with reasonable certainty that their weird symptoms weren't life-threatening. Most people just don't have enough information to make a lot of important health decisions for themselves. But short of serious advances in AI, I don't see how this could happen. Substantially cheaper treatments (stem cells?) would help a lot, but the effects would be limited by the increasing tendency to seek treatment for things that would have been lived with before – the usual "greater efficiency leads to greater usage" effect. A greater emphasis on preventative medicine might help – how much do insurance companies reward health-improving behaviour? (how would they even know, say, how much exercise you do?)

[Singapore's health-care system](#) may also be worthy of study and emulation.

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**Erich Schwarz Says:**

[September 14th, 2008 at 7:05 pm](#)

Another recent bellwether of the coming crash is [I.O.U.S.A.](#)

Having just watched that, and seen the numbers, I'd predict that the crash will be in 2016, not 2012. But when it comes it will hit *hard* and nonlinearly.

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**esr Says:**

[September 14th, 2008 at 9:23 pm](#)

>A greater emphasis on preventative medicine might help

I've looked into this and, sadly, the answer seems to be "No, not so much". The problem isn't that preventative measures are useless, it's that once you're doing them

for infectious diseases and vitamin deficiencies you've already captured the dramatic gains, We don't actually have "preventative measures" for any of the big killers in degenerative-disease land (e.g. cancer, heart disease, diabetes); what we have is a gaggle of completing lifestyle manipulations each of which claims to better your odds dramatically but hasn't been verified in large-scale controlled studies. If they have any effect at all it's far too marginal to matter in

this discussion.

**Nate Says:**

[September 15th, 2008 at 1:40 am](#)

Miles:

While I don't think contemporary AI can completely eradicate the medical profession, I do believe that we have sufficient techniques to augment the practice of medicine to the point where we can produce the same results with less investment in education. More specifically, I think it's very possible to construct a socio-technical system that leverages technologies such as Bayesian-belief nets and case-based reasoning (perhaps amplified through a "web 2.0" application similar to Wikipedea, etc.) to allow one with (for instance) a 4-year undergraduate degree to practice in a limited range of medicine. We're seeing this trend materialize to some degree, already. We have allowed Physician Assistants and Nurse Practitioners to practice medicine (with restrictions) with less than an MD. I think with already existing AI we can increase the supply of medical diagnosis/treatment even further — if by no other means than to act as a better (and less expensive) triage mechanism. The primary problems as I see it are policy/legal — not technological. For instance, in the event of misdiagnosis, would the patient (or patient's representatives) sue the physician or the company that produced the AI software, etc.

**Shenpen Says:**

[September 15th, 2008 at 4:56 am](#)

Putting things into a historical & psychological perspective, one of the main reasons "socialism for the poor" gained a lot of support in the XX. century is because of "socialism for the rich".

Every time someone makes a large sum on a "sweetheart deal", the outrage goes like "if they are allowed to plunder the treasury why shouldn't we be allowed too, we who need it a lot more". The problem is, of course, that "socialism for the poor" costs a lot more. However, psychologically and morally, as long as there is even a single person making a single million more than the usual market rate of profit from a sweetheart government deal, you just can't tell the jobless or the single mums that times are hard, there's not enough moola, put up with less. They, the media, and the activists will rub that single million into your face countless times.

Therefore, crashing "socialism for the poor" can only start by radically eliminating any kind of "socialism for the rich", all those pork, deals, corporate welfare and so on and then maybe they will stomach it.

Is that realistically possible? I doubt so.

**Shenpen Says:**

[September 15th, 2008 at 5:22 am](#)

Ken,

"Because Europe won't bite the bullet."

That was said of the UK before Maggie Thatcher... so don't be so sure.

The good thing is that every generation produces their new rebels. And one of the important differences is that the Left in America still has a lot of hope and optimism and drive, while the European Left became totally ossified, boring, and clinging to old structures. The time is ripe for a new kind of radical youth movement that, by the very nature of the current circumstances can only be counter-revolutionary – the youth has less and less patience for the "dusty old

Marxist tomes of the fifties”.

(Actually, even outside politics, something must happen to youth culture in general, because in the last 10 years or so it became so boring (such as the new kind of emo-rock music they play these days, or the “heart-rending stories of the life of disabled female workers in Pakistan” type of Indie movies) that I don’t think people will put up with it for long, there are energies there, currently tranquilized, that want to erupt again.)

Something will happen, the young will do something, and it will be counter-revolutionary, the only real question is which direction will it take. One possible direction is a pro-Capitalist one, a drive to quickly unwind the monolithic structures: I can visualize a “bohemian bourgeois” kind of a new young radical, the type who wants to start his own business and make exciting products and party together with colleagues until 6AM and wants the state to get out of his way FAST. A shameless kind of new individualism, a reaction against the safety-first doctrines that rule today, a yuppie-radicalism that’s interested in business mainly because of the excitement and the risk. This would be a good direction and looks very likely, exactly because it would be the most direct denial of the current Zeitgeist. Another possible direction is the revival of old nationalistic/fascistic instincts but I hope this can be avoided.

**esr Says:**

[September 15th, 2008 at 9:14 am](#)

>Therefore, crashing “socialism for the poor” can only start by radically eliminating any kind of “socialism for the rich”, all those pork, deals, corporate welfare and so on

In case it needs to be said, I’d **love** to see that happen.

**costcontainment1 Says:**

[September 22nd, 2008 at 9:39 am](#)

Raising age of Medicare/ SS must occur.

Also capping medical costs to \$100,000 - \$1,000,000 after age 80 or some formula should be considered.

**Obloodyhell Says:**

[September 24th, 2008 at 11:30 am](#)

> but when Jeff or Adrian10 mention the (major) problem of resource depletion, you cavalierly assume that humanity will easily ‘innovate’ its way out of its mess.

Phil, this is correct and reasonable because humans have done it repeatedly in the past. “Resource Depletion” generally doesn’t require major breakthroughs, but re-evaluation of techniques.

Energy? Hell, there are two workable solutions to that without a doubt. Nukes in the short term, Solar Satellites \*IF\* nothing else comes to the fore. Fuel cells CAN take the place of oil, albeit poorly at this point.

Everything “materials” — steel, copper, whatever — Look into the late Julian Simon’s work in that regard. When copper started to go through the roof based on communications wiring demands, we replaced it with fiber optics — GLASS, one of the most common substances on earth (i.e., “sand”). As a matter of fact, most electronics are nothing but highly organized and meticulously dirtied sand.

In England, when the wood started to run out, they switched to much more plentiful and higher-density coal. If you look carefully at what humans are doing,

we've been steadily reducing the number of carbon atoms attached to the hydrogen atoms we use for energy, which gets us closer and closer to optimum efficiency in chemical energy. Getting past the "hydrogen" economy would/will require a major breakthrough, but since one can sustain the hydrogen economy as long as the sun stays on, I think there's sufficient time for that breakthrough.

"Resource depletion" isn't a "major problem" — it's an ignorant man's hobgoblin.

It's for people who don't grasp how human ingenuity works, even when it's all around them and the history of technology is rife with examples of it.

The problems this thread involves are tied to major bookkeeping shenanigans by the Feederal government.

Looking close at them, the two major financial crises of the last three decades are tied to legacies of FDR and "the New Deal" — which assiduously ignored every aspect of GAAP in their designs. The S&Ls were an FDR creation. Fannie Mae (and, effectively, Freddie Mac) were outgrowths of New Deal policies. And the remaining elephant looming on the horizon is Social Security.

It takes real skill to create something that can f\*\*\* up the economy 100 years after you're gone.

### **David Bartolli is right Says:**

[October 11th, 2008 at 12:57 am](#)

Yes David you are quite right. I now live in very far-Nor Cal. I grew up though in So.Cal. I learned all about Minorities and how they live. And I never met a single one that did not recieve 'Entitlements'. On July 14th, 2008, the area way up here completely Changed.

That's because of Maxine Waters-D-CA HR-1851 went into law. Section 8 Reform for Homeownership and Housing Choice Vouchers Funding Act of 2007. When this passed, my area passed away.

Same thing happened in Antioch, CA, Lancaster, Contra Costa. It's going to happen in every single square inch of the US now.

Then on October 1st, 2008 HR-3221 Pelosi's Housing Crisis Fix All Bill went into Law. It had an enoumous part of the Funding in that Bill for Section 8 Homeownership and Housing Choice Vouchers Funding.

And this passed, my area passed away again.

Section 8 is the 'Kiss of Death' for an area. The people that are Migrated into an area are from the Inner-Cities. This is a little known Section in the Law that every square inch of the US MUST have a Minimum of (Extremely & Low-Income) 30% African American Migrated in from the inner city.

I have so many links you would not believe it!!

My neighbors in my tiny town here, above the city that recieved the Section 8 'Kiss of Death' has 256 in it. Out of the 256, 220 are on SSI/SSP only.

Most all of them live in a Free & Clear, Paid For Via Inheritance, Home on a Minimum of 5 or more Acres.

That's why my neighbors during the 'Bailout' of October 08', bought a brand new car. No problem for them to get financing on SSI/SSP as their sole Income.

They are very proud of the fact they have NEVER worked a single day in their lives. Get up at 12 noon each day and eat a breakfast for a Sumo Wrestler, go back to sleep, get up again at 7 pm, make a dinner large enough for 12 Fullback Football Players, and come outside on their porch swing to fart in the wind at 9 pm. They stay up until 4 am, getting drunk.

I think the majority of SSI/SSP's that are White own paid for Real Estate. That's how they make it and the fact that other family members in the house, also get a check too.

So, you have in some homes, a very think stack of Federal Checks and in California, State Checks too, and that's a pretty thick stack of checks on the 1st of the Month!!

If Obama wins and finds out that most White's own paid for Real Estate and

realized that SSI CAN own a home (1 each individual or 1 each couple), of ANY VALUE WHATSOEVER, even a home worth \$350,000 like my neighbors that fart in the wind after their dinner, he's going to go after them for that.

Yup, he will force these people to sell their homes so he can have a 'Cut' of the Capital Gains and Cut these people that 'HAVE MORE' when he was discussing cutting Senior Citizens getting full Social Security from good lifelong jobs, that paid in their SS taxes for 42 years, and own lovely paid for properties, with high bank savings, he's going to not only go after these Senior Citizens, he's going to go after SSI's with too much property, making them sell it off, give him a cut, or he will cut their checks until they sell off their real estate.

Just a thought. SSI pays ZERO taxes, they are a complete burden. They can be on SSI their entire lives 'Cause they are Anxious' or 'Depressed' this is the fastest Beneficiary of SSI, the 'Mental Other' recipients.

Has anyone realized that the Majority of Illegal Aliens CANNOT collect SSI yet?? Well, not unless they are 65+ then they can easy. But for the most part, Illegals CANNOT yet collect. But, they KNOW ABOUT THIS, and are waiting for Legalization to line up outside every single Social Security Administration Office in every square inch of the US when their are Legalized. So they can have the Woman/Mother collect Welfare CalWorks & the Male/Father can collect SSI/SSP! Perfect! No Work, only GRATIS/FREE check-in-the-box.

I understand but rarely anymore speak Spanish, this is what the illegals around the city are discussing often when I listen to them talking. They want their SSI/SSP too! The SEE all the Whites and Blacks getting paid on the 1st of the month and they don't even look disabled at all, because most are on SSI/SSP because they are a drug addict or an alcoholic, and the Hispanics want their CHECKS TOO!

So, the very next day after Shamnesty expect to drive past a SS Office and see lines line the ones in LA, wrapped around the corner with NEW Legalized applying for SSI/SSP.

Oh, and they will NOT save the day for the US, by working, they will sit around and Collect the Check-In-The-Box First and Foremost, as they have been for 20 plus years now!

This drain by 20 Million plus the Family Members they will be legally allowed to Bring In, all collecting SSI/SSP will surely cause the Government and US to hit rock bottom as they say in AA Meetings, and bring on a much larger Great Depression 2 than the 1st one. Remember, Hoover did the same thing Obama is going to do with taxes, and then Roosevelt came on the scene creating Welfare. But, Welfare IS the Problem. And it will tear down this Nation very quickly after Shamnesty.

#### **David Bartolli is right Says:**

[October 11th, 2008 at 1:52 am](#)

One more thing folks. I see most people talking about Social Security and Medicare and the Elderly on Checks for being old, some worked and paid, some did not. And that they are going to have to be old beggars or work till' they drop dead.

Well, I wish everyone would realize that it's NOT Social Security that is the problem at all!

It's the OTHER Entitlements that are the Problem.

SSI pays everyone in the household for 1 single Disabled (yah right) person.

Example: Dad goes to Social Security Administration Office Building to Apply for SSI-Supplemental Security Income, and he gets it! And all the OTHER family members GET IT TOO...

There in lies the EXPENSE & PROBLEM.

Dad, may have NEVER worked a single day in his life, and never, ever paid a penny of tax, unless he bought a new TV set and paid sales tax. Lets say Dad, never did work, he lived with his Mother & Father until they passed away, living off of them. So, when Mom and Dad passed, they left DAD their home & property, paid for, free and clear.

Now, Dad marries a Mom and they have kids. Dad has applied at SS and now he gets SSI & SSP cause' he lives in Sunny California. So, Dad gets \$888, Mom gets IHSS for cooking for Dad and gets HER check because of Dad, and all the kids get a check too. Plus ALL of them get MediCal or MediCaid in other states, and Food Stamps in other states. Mom also gets a check for each kid under the age of 16.

All the kids get a check till' they are 18. The kids get a check till' 19 if they are in full time High School, until they get their diploma. That's a thick stack.

Here's the same Example changed a bit. Dad lives with Mom, but Dad passed, they ALL including his wife and kids live on the property that's paid for. Dad's Mom get a check too.

The most used system is this one: Mommy and kids are on CalWorks Welfare, and all the amenities that go along with the Welfare.

Dad, is on SSI, That too is alot of check.

SSI get's 95% of their property tax back to them in October each year, so they end up paying a 5% property tax bill.

In all states but California, they get Food Stamps. They can get CASH back in change each time they use food stamps. The change comes back in CASH.

They almost always get Section 8 housing if they do not own a home. Section 8 is the 'Kiss of Death' for ANY area, it has recently happened to my area. Google Section 8 Antioch, CA sometime, it tells it all.

Section 8 housing is extremely funded with HR-1851 & HR-3221.

All the SSI's get free Dental care. They get those expensive Veeneers on their teeth.

The tweekers in my area all get those expensive DiVinci caps free from MediCal.

They get all their Med's free.

They get Low-Income Heating Assistance, and it was included in the 'Bailout' bill.

They get Food Bank Assistance and Farmers Market Vouchers, that was included in the 'Bailout' bill.

They get Emergency Housing Vouchers, that was included in the 'Bailout' bill.

I could go on, but can you see that the lowley Widow woman in her paid for house, only getting Medical & Some Cash with a Check does NOT compare to SSI?

SSI pays much much more. In that it pays THE WHOLE FAMILY!!

So, try and take this SSI expense into consideration.

Remember this Rule: SSI is NOT Social Security

It is a myth that SSI is Social Security, they only do intake, processing, interviews, document photo copying and filing for SSI. SSI has nothing to do with Social Security, it's a COMPLETE WELFARE.

SSI is Welfare. It is beyond easy to get. They get a Gratis/Free Pro-Bono Attorney, and when they qualify get FREE/GRATIS Attorney & Legal Assitance as long as they live on SSI.

So, the Enemy of the Economy and Budget is SSI...

Remember, it grows much faster now than Social Security. Just wait till' Shamnesty, that will EMPLODE everything within a year of Shamnesty! That's my bet on it.

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**Adriano Says:**

[October 18th, 2008 at 4:33 am](#)

This post gets more chuckles out of me with every day that passes. "Today's strong economy", "President Palin"... Good stuff, man!

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**Shelby Moore III Says:**

[November 27th, 2008 at 1:32 am](#)

(I know esr won't agree with me on this one, because he believes terrorism propoganda...hope he will respect my right to disagree on his blog...)

\$100 bills could be frozen and unuseable in coming crisis

This is why you must have silver in small coins form.

<http://www.silverbearcafe.com/private/11.08/breakup.html>

...On the fate of the U.S. dollar, he said: "In 2006 a secret agreement was reached between Canada, Mexico and the U.S. on a common Amero currency as a new monetary unit. This could signal preparations to replace the dollar. The one-hundred dollar bills that have flooded the world could be simply frozen. Under the pretext, let's say, that terrorists are forging them and they need to be checked."...

Hyperinflation is Guaranteed, when the money supply is not constricted to a precious metal standard.

Go back in history, and study every currency which was not backed 100% by precious metal, and try to find one of them that did not end in hyperinflation. Examples from of all the non-precious metal currencies I am aware of (and all of them ended with hyperinflation), and also in all cases the paper-backed money was used as hidden tax to force the cost of war on to the society:

[http://en.wikipedia.org/wiki/Hyperinflation#Examples\\_of\\_hyperinflation](http://en.wikipedia.org/wiki/Hyperinflation#Examples_of_hyperinflation) (<- click for many more examples)

1775 USA Continental Dollar financed the Revolutionary War

1789 France Assignats and Mandats financed debt from colonial wars

1861 USA Confederate Dollar financed the Civil War

1920 German Weimer Mark financed debt from WW1, i.e. reparations

1944 Japan Yen financed debt from WWII

Coming soon:

1971 USA dollar financed Cold War and War on Terrorism

Deflation of prices is only possible when the money of circulation is, or is a bill exchangeable for, precious metal (gold and/or silver standard). Deflation of prices occurs when the money supply can not be increased faster (than the mines can produce) than the supply of goods. Deflation encourages saving, which is in the long-run is good for sustaineable capital investment.

Since 1971, the USA dollar is not backed by gold internationally as well as domestically. This has enabled a massive hidden tax on the society in order to finance american dominance globally. The tax was paid as poverty in developing world, and as accumulated fiat debt in west.

It appears that the world since beginning of time, has been continuously moving towards increasing debasement of circulating money away from intrinsic value (e.g. precious metals) towards symbolic money. This is known as Gresham's Law...

...read more here:

<http://goldwetrust.up-with.com/economics-f4/inflation-or-deflation-t9-15.htm#442>

**silvermine Says:**

September 22nd, 2009 at 3:17 pm

Looking back at this a year later is kind of interesting. I think we've started to see the revolution of grey-haired, walker-holding angry people. Exactly a year after this post. ;) Funny, huh?

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Name (required)

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