

# The baby boomer in the midst of the economic crisis

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Most of the baby boomer generation were imbibed with the stereotype perception on the facets of work, employment and success. In a typical scenario, that “ best” schedule would connote that a baby boomer would go to work on a regular schedule, 8-5, working from Monday to Friday schedule. Most of the time would be spent in the office, taking a daily commute to and from the office, with some time being taken by overtime, some work to be done on the weekends, and some other tasks to be accomplished at home.

Success was also easily defined, with the person attaining the highest position in the corporate ladder becoming the epitome of that standard of success (Brad Harrington, Douglas Hall 98). Many of the people, baby boomer and others, believe that the current recession is about to end and that more prosperous times are about to return are, what observers state, is sadly suffering from a near sighted view of the present economic crisis.

In reality, since the peaking of the 2005 United States housing crisis, the continuing barrage of the sub-prime financial crisis in 2007, and the resulting economic slowdown in the American economy in December of the same year, its has been observed that the United States economy, and to a certain degree the global market, has entered into an era of prolonged adjustments, with expected periods of growth, but the severe economic restructuring currently being put in place is believed to continue for the next years. What is believed to be the main driver of these developments is the baby boomer generation.

It is assumed that the previously mentioned financial crisis is also contributory to the current financial morass, but the imperative reasons is

that what is considered as the largest demographic in the history of mankind, the baby boomer generation born after the Second World War, has overreached its spending power (Professor Rodrigue Tremblay). What is seen to be the immediate effect of this development is that there must be a realization that the exhaustion of the spending power of the baby boomer generation is irreversible.

In this regard, the solutions cannot be found overnight; the remedy will be decades of readjusting of corporate spending, reduced spending and increased savings, and liquidating massive mountains of debt. The ramifications of this development will be seen to reverberate through the entire economic structure, as seen in the downturn of the automobile industry, and the increases in the healthcare sector, as the baby boomer continue to age (Tremblay).

What is considered as a significant public policy issue is the potential load that a society that is reaching its twilight years will place on the nation's health provider system and the government expenditures. The “ 2030” issue is about addressing the challenge that by that time, there will be adequate and an efficacious system will be in place in three decades time, when the elderly sector in society will be double the present population. By the year 2030, it is expected that many of the baby boomer generation will be between the ages of 66 to 84 years, and they will comprise 61 million individuals.

Apart from these, the number of the older baby boomers, will be more than 9 million by 2030 (James Knickman, Emily Snell). The present structure of the

long term care sector is constructed around the provision of the service by private providers, which can be categorized as non-profit and some for profit outfits. When the available resources increase, the development of new services can accelerate at a faster pace. Inversely, when available resources decrease, it is also expected that the capacity of the sector will diminish.

Taking the example of home health care as a point of reference, the growth in the yearly expenditure rate increase went from ten percent in the period of the 1980's reaching into the 1990's, plummeting to a negative three percent in just two years, from 1998 to 1999 (Knickman, Snell). The Congressional Budget Office (CBO), in a 1999 report, calculates that expenditures related to long term care needs was approximately \$120 billion in 2000, more than half (59 percent) addressed by the private sector.

The balance of the expenditures were covered by individual expenses, with the private long term sector just covering one percent of the long term health care expenditures. In the conservative estimation of the CBO, the total amount for long term health care will rise an average of 2.6 percent above inflationary levels annually over a period of three decades, totaling more than \$150 billion in 2010, close to \$200 billion in 2020, and a colossal \$230 billion by the year 2030 (Knickman, Snell). In the composition of the Federal budgetary outlay, three government programs dominate the bulk of Federal spending; Medicaid, Medicare and Social Security.

Federal outlays for these programs in 2004 reached more than \$960 billion, exclusive of receipt offsetting of Medicare premiums. In total, these three programs totaled more than 40 percent of the entire Federal budget. It is be

noted that the Federal government is contemplating on implementing sweeping changes in the mechanism of the Social Security system. The changes in the Social Security structure is inclusive of proposals to divert a portion of their tax payments to private investment tools (United States Congressional Budget Office 9).

One piece of advice that the boomers might give serious contemplation to is the fact that there exists now a need to increase levels of savings rather than increased spending. All the events the last few years have sent a clear signal to the aging sector to turn to savings and restrain spending binges; but these acts of saving on the part of the boomers would mean a decrease in the levels of consumption and reduced spending, so that they can liquidate their liabilities, and that will increase the personal net income of the boomers.

But what does that spell for the economy, if the largest spending sector considers more saving and reducing their consumption? It will translate to a comprehensive deceleration in economic growth and some excruciating adjustments in broad sectors in the economy (Tremblay) . In this light, it is expected that the effects of the current financial crisis hounding the global economies will be magnified and increase in its intensity, and the magnified effects of the crisis will continue to be felt in the decades to come.

The economic doldrums will not be continuous, as there will be some short lived gains and increases, but will quickly return to the state of economic stagnation. To cite an example, in the last decade, Japan suffered a period of stagnation induced by the elderly demographic buffeted the nation's

economy for the entire nineties. Even to this day, Japan is still trying to find its way out of the economic morass it suffered during that time (Tremblay). Many of the countries whose population practices a very high standard of savings patterns will be able to export much of that capital to other countries.

During the baseline year for model simulations, 1997, it was seen that many industrial states were exporting more than \$60 billion in net investments to some low and middle level nations, amounting to 1.1 percent of the gross domestic product of the nations that receive these outflows of capital. In that year, only nations in East Asia region were seen to be net exporters of capital. But in the year 2015, the recipients of the outflows of the industrial nations will be the ones exporting capital, and the industrial nations currently exporting the capital will be the ones importing the capital (World Bank 40).

In the years not covered by the data released by the Congressional Budget Office (CBO), the continued aging of the baby boomers, compounded with increasing costs related to health care, will create a significant shift in the financial situation of the United States. It is expected that in the next three decades, the population of Americans at or over the age of 65 will jump 100 percent, while the number of people that are under the age of 65 will only increase by 15 percent. What is more alarming is the rate for the increase for health care expenditures is expected to outstrip the pace of economic growth during the same period.

If the costs continue at a pace of 2.5 percent, the Federal government will increase its budgetary allocations for Medicare and Medicaid, from 4.2 percent at present more than 11 percent by the year 2030 (Congressional 10). Budgetary allocations for Social Security is expected to increase in the next thirty years by an average of 40 percent under the operation of the present laws. The share of the allocations for Social Security will rise from the 4.2 figure at present to at least 6 percent in 2030.

By comparison, the revenue projections for Social Security is expected to be static during the period, hovering at around 5 percent of gross domestic product (GDP). All combined, these pressures will exert significant amounts of stress on the budget that growth in the economy is unlikely to fully satiate (Congressional 11). Works Cited Harrington, Brad, Hall, Douglas T. Career Management and work life integration: using self assessment to navigate contemporary careers. Los Angeles, USA: Sage Publications 2007. Knickman, James R. , Snell, Emily K. " The 2030 Problem: Caring for Aging Baby Boomers".

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