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## Greenspan Says Social Security, Medicare Must Be Cut

By MARTIN CRUTSINGER, APUpdated: 01:51 PM EDT

JACKSON, Wyo. (Aug. 27) -- **Federal Reserve Chairman Alan Greenspan said Friday that the country will face "abrupt and painful" choices if Congress does not move quickly to trim the Social Security and Medicare benefits that have been promised to the baby boom generation.**



Returning to a politically explosive issue that he has addressed a number of times this year, Greenspan said that it was wrong for the government to hold out the promise of more retirement benefits than it is capable of providing.

He said this issue was particularly critical given the impending retirement of 77 million baby boomers born in the two

decades after World War II.

"As a nation, we owe it to our retirees to promise only the benefits that can be delivered," Greenspan said in opening remarks to a two-day conference sponsored by the Federal Reserve Bank of Kansas City on the challenges posed by aging populations.

"If we have promised more than our economy has the ability to deliver, as I fear we may have, we must recalibrate our public programs so that pending retirees have time to adjust through other channels," Greenspan said. "If we delay, the adjustments could be abrupt and painful."

Greenspan, as he has done previously, suggested that possible changes would be raising the retirement age to receive full Social Security benefits, which currently is gradually increasing from 65 to 67.

Greenspan, who is 78 and was recently confirmed for a fifth term as Fed chairman, has been a proponent of raising the retirement age ever since he was chairman of a commission that recommended a number of changes to rescue Social Security from impending insolvency two decades ago.

In his remarks, Greenspan said that the projected doubling of the U.S. population over the age of 65 by 2035 would add to the government's budget deficit woes.

But he said it was important to be careful in how those deficits were addressed. He said that relying entirely on an increase in the payroll tax on

workers to deal with the funding shortfall in Social Security and Medicare would make it more costly for employers to hire workers.

Greenspan said policymakers must consider all the economic impacts that changes in the government's two biggest benefit programs would entail such as the effect on retirement decisions, the size of the labor force and the saving behavior of Americans.

Greenspan acknowledged that any decisions to trim benefits or boost payroll taxes could be difficult politically, but he said those decisions must be made and made quickly to give baby boomers time to adjust.

"Though the challenges of prospective increasingly stark choices for the United States seem great, the necessary adjustments will likely be smaller than those required in most other developing countries," he said, noting that Europe and Japan will have a much higher proportion of retirees to current workers in coming years.

Greenspan has repeatedly this year addressed the looming crisis in Social Security and Medicare, a development that the presidential candidates have chosen to virtually ignore given the painful choices that will likely be presented to the next president.

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