Hey Boomers: Leave Some Money to the Government

By Bruce Bartlett

This post is part of our forum on Michael Kinsley's October cover story exploring the legacy of the Baby Boomers and what they owe the country. Follow the debate here.

I am sympathetic to Michael Kinsley's argument that Baby Boomers like ourselves should leave something more than debts behind to the next generation, even if, as he correctly points out, much of the debt was really left to us by entitlement programs that have benefited the so-called Greatest Generation far more than subsequent generations. Basically, the Greatest Generation paid almost nothing in terms of payroll taxes and got benefits that were vastly greater than their contributions; later generations will be lucky to get back what they put in.

The critical point, I think, is that the Boomers also inherited some of the Greatest Generation's sense of entitlement without having paid the dues of going through the Great Depression and World War II that may have justified it. And as Kinsley notes, it's really too late for Boomers to shoulder similar burdens even if the opportunity suddenly presented itself.

I think Kinsley is right to focus primarily on the vast wealth that Boomers may not even realize they are sitting on. Back in 1999, a study from Boston College's Center on Wealth and Philanthropy estimated that $41 trillion (in 1998 dollars) was going to be passed on to future generations over the subsequent 55 years. A 2003 update concluded that the estimate was still valid.

Given that net household worth has risen from $47 trillion in 2003 to $56 trillion (as of the first quarter of 2010) according to the Federal Reserve, despite the loss of some $10 trillion in wealth resulting from the Great Recession, it's reasonable to assume that there are at least tens of trillions of dollars of wealth potentially available to the Boomers to do something meaningful with as a legacy or just penance for overindulgence.

Realistically, I think whatever is done will have to be done in the form of bequests. The important thing, I think, is to impress upon the Boomers that some significant portion of the wealth they will leave at death doesn't really belong to them or even their own children, but in some way to society and, yes, even the government.
Boomers should strongly resist treating their wealth as free money to frivolously spend on whatever indulgence meets their fancy. Strong peer pressure should be brought to bear on those like many in the Greatest Generation who bragged about spending their children's inheritance on expensive vacations and such. Boomers should also be encouraged to continue building wealth past the point where their own old-age needs are satisfied so as the leave as much as possible in a lump sum for the next generation.

I disagree with Michael on whether the estate tax is the best or even an appropriate way for Boomers to give back. For one thing, I think it's important that the decision to give be voluntary and not coerced by government. Also, depending on the estate tax is more likely to lead Boomers to spend their money or give it to their children since they will view the government as taking its share by force. The estate tax should fall only on the very wealthy, not those with the sort of modest wealth—in the tens and hundreds of thousands of dollars or low millions—that Boomers are likely to have.

In Ancient Greece, public works were often provided privately through what were called "liturgies." Such things still exist today in the form of hospital wings, museums, university buildings and so on that are public in nature but financed through private giving.

Modern governments, however, have historically been resistant to even taking private funds that are offered gratuitously. I've always heard that the Treasury Department has some sort of conscience fund to which people can contribute, but a quick Internet search could not find its location or the amount of money it receives annually. And I know that efforts by parents to fund programs at public schools have been rebuffed as contrary to the goal of equalizing school spending in rich and poor school districts. There are cases where wealthy people had to fund private schools for poor students to get around such restrictions.

The point is that there are opportunities for governments to act like universities and actively solicit private funds to pay for public works and programs. Perhaps in the days when revenues were flush and the public’s willingness to tolerate taxation was greater, governments could afford to reject such opportunities to obtain private funds for public purposes. And of course there will always be a legitimate concern that those making private contributions are buying more than the praise and good will of the citizenry. But in times like these, when resistance to taxation and spending are intense even for programs with broad public support, we must be open to new methods of building and maintaining society's critical infrastructure.

I think every government in America, including the federal government, should have an official foundation to solicit and receive private donations for public programs and projects. People should be able to designate funds for schools, police, roads or any other function that suits them. Since money is fungible, whatever is made available to fund things the government would have funded anyway will free up funds from taxation for less sexy but no less important functions.
Make the contributions tax-deductible, too. It may seem redundant, but there are lots of methods of charitable giving, such as charitable remainder trusts, that depend on tax-deductibility to work. Why not let governments have it work for them instead of against them for a change?

I think there are lots of Americans who chafe at the burden of taxation who would nevertheless be happy, at death, to leave something to the governments that served them during their lives. They already leave vast sums to public universities, so why not extend the principle to other public institutions? I think it's really only a matter of making it possible for people to do so and encouraging them through recognition and honor for their gifts just the way universities and other public charities do now. It's not rocket science; there are already thousands of people working in the philanthropy field who know exactly how to do it.

It's my observation that a lot of churches, universities and other traditional recipients of charitable bequests get their money by default because people have no family to give their money to. Or perhaps they don't wish to encourage sloth and imprudence by giving their children unearned wealth.

So my suggestion is to bring back liturgies. Create opportunities and public institutions for the Boomers to put into their wills to receive some of the vast sums that are potentially available when they move on to the big disco in the sky. It's a way they can give back meaningfully and essentially without cost, because they don't have to give a penny until they are gone. I think a campaign to solicit such funds would be highly effective and help fill the large and growing gap between what people demand from government and are willing to pay in the form of taxation. But if public officials ask nicely, they may find enormous resources they never imagined will be forthcoming.

*The debate continues here.*

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