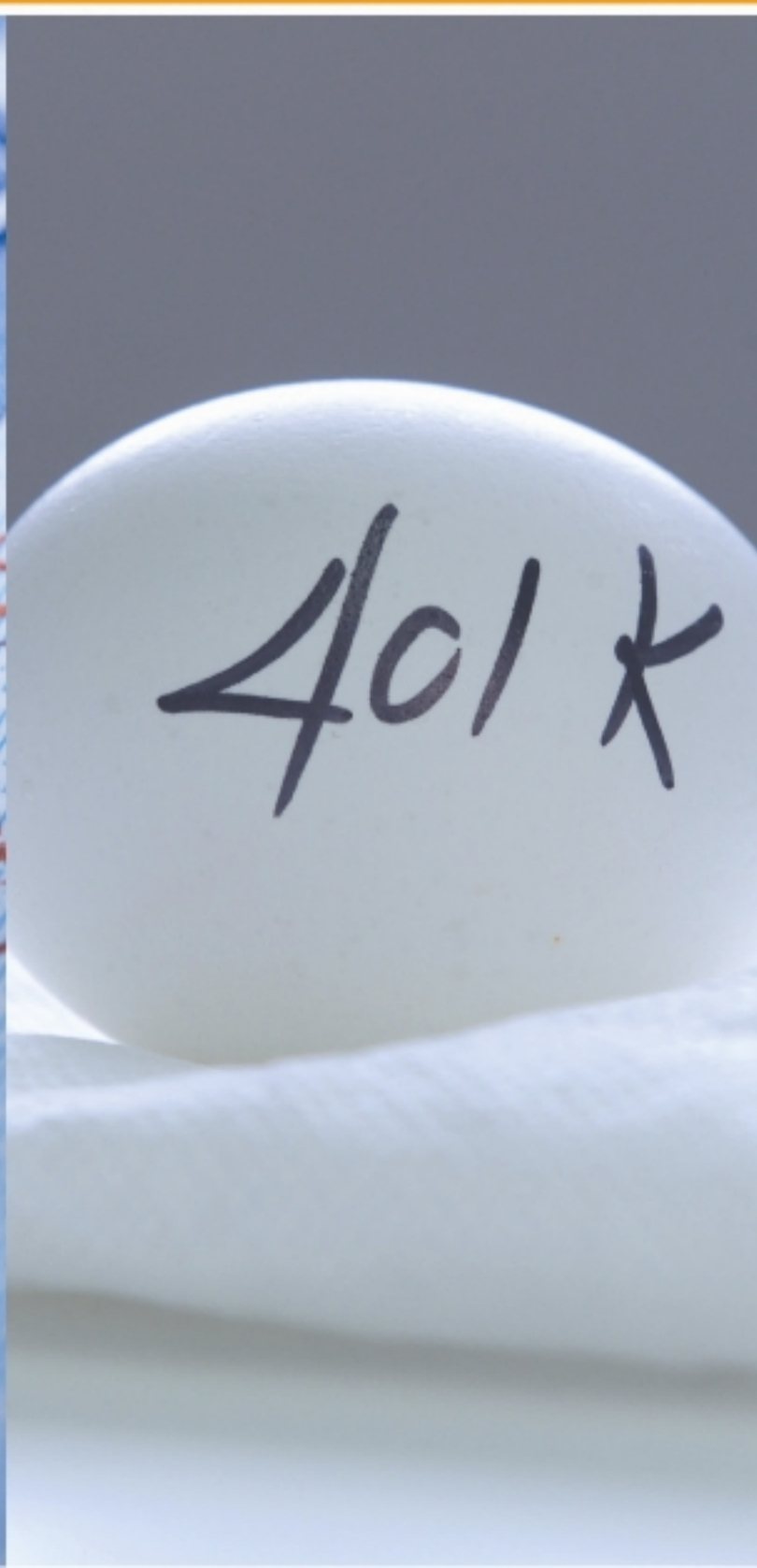


JAMES H. SCHULZ AND ROBERT H. BINSTOCK

AGING NATION

THE ECONOMICS AND POLITICS OF GROWING OLDER IN AMERICA



Aging Nation

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(to be published in November 2006, by Praeger)

"Deserving poor" or "greedy geezers"? The debate rages on. In a period of huge government deficits, and the impending retirement of some 76 million Baby Boomers, understanding the economic, political, and social issues related to the aging population is paramount. The policy debates have never been more contentious; they range from deciding who should receive limited subsidized housing and medical services to the ongoing battle over "saving" Social Security and other entitlement programs. If the doom-and-gloomers have their way, the elderly will be left out to pasture, with inadequate health care and financial resources, and a crumbling social welfare infrastructure that will implode under the strain of inter-generational conflict.

In *Aging Nation*, renowned experts in the field, James Schulz and Robert Binstock, agree that there is considerable cause for concern, but with a variety of sound policies and programs in place and smart individual choices, the elderly can prosper, and a demographic tsunami is not inevitable. Drawing from the most current data, the authors provide in-depth analysis of the nation's evolving private and public policies on retirement, faltering employer pensions, health care, workplace conditions, and entitlement programs, and consider such timely issues as poverty among the elderly, rejoining the workforce after retirement, Social Security and health care reform, and the rise of the elderly as a powerful political force. Dispelling popular myths and misconceptions that are perpetrated by politicians and pundits alike, they provide a comprehensive and balanced assessment of these issues and their impact on everyone, old and young.

JAMES H. SCHULZ is Emeritus Professor of Economics, Brandeis University. A former president of the Gerontological Society of America, and recipient of numerous awards—including the Kleemier Award for outstanding research in the field of aging—he has written extensively on aging, pensions, retirement, and social policy. His 17 books include *Social Security in the Twenty-First Century*, *The Economics of Population Aging*, *Providing Adequate Retirement Income When Life-Time Employment Ends*, and seven editions of *The Economics of Aging*.

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Advance Praise for *Aging Nation*

“It is gratifying to see two such prestigious observers of aging issues put forward a clear analysis of the aging ‘crisis’ in the United States. This book is an antidote to the ceaseless drumbeat of doom and selfishness coming from those who would dismantle our key sources of retirement security in the United States. Schulz and Binstock are recognized experts in the field of aging whose counsel should put to rest the claims that we cannot and should not rely on shared public programs for our future. They offer real solutions, not just sloganeering to an issue that should concern all Americans.”

Marilyn Moon

Former Trustee of the Social Security and Medicare Trust Funds, and currently Vice President and Director of the Health Program, American Institutes for Research

“This seminal policy assessment, by the country's two leading policy gerontologists, is a must read for the general public, politicians, pundits, and anyone who cares about growing old in the United States. Schulz and Binstock provide the expert analysis, balanced viewpoints, and historical overview essential for countering alarmist scenarios and promoting reasonable public policy and discourse about the future of our aging nation.”

Fernando M. Torres-Gil

Former U.S. Assistant Secretary for Aging, and currently Professor and Director of the Center for Policy Research on Aging, School of Public Policy, University of California, Los Angeles

“*Aging Nation* is a solid corrective thwack against conventional (and often false) wisdom, propagated by the doomsters, about the perils of a nation living longer. Take notes for your own protection.”

Dr. Robert Butler

Founding Director of the National Institute on Aging, and President and CEO of the International Longevity Center-USA

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CHAPTER 1

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Baby Boomers and the Merchants of Doom

The complete life, the perfect pattern, includes old age as well as youth and maturity. The beauty of the morning and the radiance of noon are good, but it would be a very silly person who drew the curtains and turned on the light in order to shut out the tranquility of the evening. Old age has its pleasures, which, though different, are not less than the pleasures of youth.

—Somerset Maugham¹

“Help, help,” said Chicken Little. “The sky is falling.”

Like it or not, baby boomers are approaching an important point in their lives. Soon, 76 million persons born between 1946 and 1964 will join the ranks of Americans that society labels as “old,” “aged,” and “elderly.” And the oldest members of this extraordinarily large generation will become eligible for Social Security retirement benefits in 2008.

Like any generation that enters the old-age period of the life course, baby boomers will be exposed to a number of problems and risks associated with aging. For example, a common problem faced by retirees and their spouses is lack of adequate income due to the cessation of wages and salaries. Another problem arises from the fact that old age brings with it a sharp increase in the incidence of chronic and often disabling illnesses. Older individuals must cope with increasing probabilities of heart disease, cancer, strokes, arthritis, hearing and vision loss, and the dreaded Alzheimer’s disease that robs us of our cognitive capacities.

Along with these illnesses comes the risk of enormously expensive hospital and nursing home bills. Such expenses can wipe out a lifetime of savings, including the equity in one's home that has been accumulated over many years.

Retirement also often means a loss of the social role that work confers, a key part of many people's identity throughout much of life. And to make matters worse, one may be socially labeled with a battery of negative ageist stereotypes—such as frail, fumbling, fussy, forgetful, and asexual.

But these are not “the worst of times.” Forty or so years ago, the problems and risks associated with old age were much more severe than they are today—especially the financial risks of inadequate income and the overwhelming costs to families for health care. As we will point out in Chapter 3, before there was public and private insurance for income and health care, life in old age for the vast majority of elders was miserable and often dependent on the largesse of one's family and community.

Clearly that has changed. One of the greatest social achievements in the United States and other industrialized countries in the twentieth century was the transformation of old age from one of the worst times in the life course to a good time of life—in fact, in some cases, one of the best periods of one's life.

GREAT ACHIEVEMENTS

Starting with the Social Security Act of 1935, many of the challenges and risks associated with old age have been greatly moderated by public old-age retirement benefit programs. For many, there has also been pension and health insurance coverage through employer-sponsored programs. By the 1960s, Social Security and employer benefits had dramatically improved the financial situation of older people. In addition, the federal Medicare and Medicaid health insurance programs enacted in 1965 provided access to quality health services and long-term care for millions of older Americans. The result has been much less worry about financial support in old age, good health care, and a way of dealing with potentially ruinous health-care bills.

Overall, the past 40 years have witnessed a spectacular revolution in the quality of life for elderly Americans. For the vast majority of older people in the United States today, life in old age is characterized by

- Reasonably healthy and active lives, together with a national health insurance program that finances excellent medical care, with a large part of the costs paid for by health insurance.
- Generally adequate income (through Social Security, often supplemented by employer-sponsored pension plans) that enables one to avoid a desperate life of economic need and the stigma of surviving via family handouts and government welfare.

- Significant wealth, for many, arising primarily from a long-term but generally continuous increase in land and housing prices, supplemented in some cases by financial assets significantly protected (since the 1929 stock market crash) by regulation and insurance—with the value of these assets increasing over time with economic growth.
- Independent living arrangements arising out of financial independence, with a chance to practice “intimacy at a distance”—that is, an ability to remain close to one’s children and socialize frequently with them but at the same time the ability to avoid the tensions and conflicts of living together (which most parents and children clearly prefer to avoid).
- A dramatic rise in the number of years in retirement, with ample opportunities to pursue a variety of leisure, volunteer, and second-career activities.
- Spearheaded by the 1965 Older Americans Act, the creation of special agencies for the elderly in every state and the development of a national network of basic services available to help meet special needs in old age, such as transportation for those who can no longer drive a car.

No wonder the term “Golden Years” became a part of American culture in the last half of the twentieth century!

FROM GOLDEN YEARS TO TARNISHED YEARS?

But now, there are indications that for baby boomers the Golden Years could become “the tarnished years.” The unusually large size of the baby boom generation, in itself, poses problematic situations for the future of the public and private programs that provide benefits to older persons. Due mainly to the aging of boomers, there is the fear that there will not be enough revenue to fully pay benefits from the two major old-age “entitlement” programs, Social Security and Medicare. (They are called entitlement programs because spending on benefits is determined by specific program rules on who is entitled to benefits (and how much) rather than by annual Congressional budgetary appropriations that limit spending for most other federal programs.)

In addition, a variety of contemporary commentators whom we call the “Merchants of Doom” warn that there is great adversity ahead for all of us, *collectively*, arising from the fact that we are an aging nation. It is not just the growing numbers of older people. It is also the fact that the population of aged persons is rising sharply in relation to the number of people in *younger* age groups. As argued in *The Economist*, “A larger generation of old folk than ever before will need support for longer than ever before from

a population of working age that is shrinking continuously in absolute size for the first time since the Black Death.”²

The solutions that the Merchants of Doom offer to deal with our aging nation are nothing short of horrific. If adopted, they would wipe out most of the economic and social gains our nation made in the twentieth century related to life in old age. They urge the country to

- cut or eliminate Social Security;
- ration health care for older people;
- lower or terminate employer-sponsored pension benefits, make people work longer, and shorten the number of years spent in retirement; and
- require everyone to assume far greater individual responsibility, and the accompanying individual risks, for retirement financial planning and saving.

We are told there are no other sensible options.

Well, we beg to differ. The changing demographic structure of the population is relatively new and is challenging, but it does not necessitate a radical overhaul of our social institutions and a decline in our well-being during our later years. There is no need to drastically change the many positive aspects of old age that the current generation of old people enjoy. This book will explain why.

THE BABY BOOMERS

Baby boomers are a demographic anomaly. For more than a century, the overall trend in the fertility rate in the United States has been downwards. This decline was temporarily interrupted when 76 million babies were born in the 18 years following the end of World War II. The large number of babies born during those years created an exceptionally large and therefore most unusual generation. Over the years, this generation has challenged again and again our societal capacities, attitudes, and social policies.³

Throughout the course of their lives, boomers have experienced very different economic situations from those of their parents, and they also have had a large impact on many of our social institutions. When they were young they were greeted by overcrowded schools, schools overwhelmed by the sudden influx of record-breaking numbers of children. In response, school districts (using increases in property taxes) struggled to construct additional schools to accommodate them. (Of course, after the baby boomers passed through that stage of life, they left in their wake an oversupply of school buildings.) Similarly, when the boomers went on to higher education, colleges and universities found that they needed to substantially expand their faculties.

As the baby boom entered its working years, it had its unique experiences in the labor and housing markets. When the boomers entered the workforce they comprised an unusually large number of job seekers. This situation resulted in wages growing more slowly and a much greater competition for jobs than was the case for the generation before. Not surprisingly, boomers have also experienced relatively high rates of unemployment throughout their working years. In addition, the demand by boomers for housing has exceeded the supply, driving up prices so that they had to pay top dollar for their homes.

Now, the future impact of the baby boomers on government old-age benefit programs is a prominent feature of public policy discussions. The reason, of course, is that aged boomers will vastly increase the future number of individuals eligible for Social Security, Medicare, and other old-age programs. At present, the number of people aged 65 and older is about 35 million. In 2030, when all baby boomers will have turned age 65 or older, the number in that age category will have doubled to about 71 million. Consequently, the number of persons eligible, for example, for Social Security's retired worker benefits and for Medicare will essentially double.

WORRISOME PROJECTIONS AND TRENDS

It is now widely known that revenues scheduled to be collected under current Social Security financing provisions will not be sufficient to fully pay the retirement benefits due during the later years of the baby boomers' old age. Each year the trustees of the Social Security and Medicare trust funds are required by law to issue a report that projects the financial status of the programs over a future period of 75 years. (The six trustees are the U.S. Secretaries of Treasury, Labor, and Health and Human Services; the Commissioner of Social Security; and two "public members" appointed by the president and confirmed by the Senate.) Over the past several years these projections have consistently estimated that during the period when all baby boomers are eligible for Social Security, the program (unless changed in some way) will not be able to pay the full amount of benefits that are due. In their 2006 report, for instance, the trustees projected that in 2040 and the years thereafter, Social Security will only be able to pay 74 percent of scheduled annual benefits.⁴ Not surprisingly, in mid-2005, a nationwide poll of nonretired adults revealed that 51 percent of them "did not think Social Security would have enough money to pay the benefits they expect when they retire; 70 percent of those under 45 felt that way."⁵

The outlook for Medicare is worse. To begin with, the projected date of the shortfall for Medicare's Hospital Insurance trust fund (also known as Medicare Part A) is much sooner than for Social Security. The 2006 trustees' report estimated that revenue for this program will be insufficient by the year 2018.⁶

More fundamentally, the future costs of health care financed by Medicare are much more unpredictable than those of Social Security, and are likely to be a great deal higher than officially estimated. Future Social Security pension cost projections are based on two reasonably reliable factors: first, the number of people who will live and die at various ages (influencing eligibility for benefits) and, second, the formula used to calculate individual payments. In contrast, Medicare costs are heavily influenced by seemingly uncontrollable factors: spectacular but costly new medical technology, the spiraling use of health-care services, and sharply rising costs of treatment.

Over the past several decades, prices in the health-care sector have been rising much faster than the general level of prices. The introduction of expensive diagnostic equipment, new high-cost prescription drugs, innovations in interventional techniques, and new high-tech remedial devices are constantly being added to the repertoire of modern American medical care and will continue to be added in the decades ahead. An example is the growing use of internal cardioverter defibrillators similar to the one that Vice President Cheney had implanted in his chest in 2001. Early in 2005, the federal government decided to expand Medicare's insurance coverage for the implantation of these devices to more than half a million Americans with weakened hearts. Medicare officials estimated that the cost of this coverage would be about \$3 billion a year.⁷

As we will discuss in Chapter 8, it is difficult for Medicare administrators to deny insurance coverage for such innovations once they demonstrate their value in dealing with health problems and saving lives. Hence, they quickly become a routine part of the practice of medicine. When the baby boomers double the number of Medicare participants, the financial implications of adding coverage for the ever-growing numbers of new medical devices and procedures (such as, perhaps, gene therapy) will be enormous.⁸

Even as storm clouds have gathered over Social Security and Medicare, certain private programs that provide support to retirees are waning. For some years now, employers have been cutting back on retiree health insurance benefits or eliminating them altogether. For instance, the proportion of firms with 500 or more employees offering retiree health insurance to supplement Medicare coverage fell from 44 percent in 1993 to 28 percent in 2004.⁹ Similarly, the traditional pension plans (called "defined benefit" plans) that have helped shield so many individuals from financial stress in retirement are now unpopular among employers; plans are being frozen or eliminated entirely (see Chapters 5 and 6). Moreover, many firms that still have defined benefit plans are having difficulty fulfilling their obligations to pay retirees promised pensions. Many, like United Airlines in 2005, have already defaulted on their plans.¹⁰

So-called "defined contribution" plans—such as 401(k) plans—have been taking the place of the traditional plans, creating a radical change in approach for providing adequate income in retirement. As we will discuss

in Chapter 6, these newer plans have serious limitations and dramatically change the amount and nature of the risks facing individuals.

In short, contemporary trends and projections suggest that the public and private institutional arrangements that have provided support in old age for many decades are more fragile than we thought. Consequently, elderly baby boomers, in general, may be more exposed to the unpleasant risks of being elderly than have been the generations immediately preceding them.

THE CHANGING POLITICAL CONTEXT OF POLICIES ON AGING

Just as the outlook for public and private old-age benefits has been changing, so, too, has been the political context of policies on aging. The present climate in which the Merchants of Doom portray the aging of the baby boom as a “gray peril” can be best understood as the latest phase in a long-term evolution of the American politics of aging.

The Era of Compassionate Ageism. Over the years, the prevailing view of the American family was one of mutual support; when any member of the family got into trouble, the rest of the family came to their support. Before Social Security, most old people were poor. The common solution to inadequate income in retirement was for elderly parents to move in with or receive monetary support from their children. And like families, government and business policies over the years were similarly oriented toward giving individuals help when they grew old.

The “elderly are poor” view prevailed for most of the twentieth century in the United States, and is still held today by some. This is no doubt why older persons, regardless of income level, still get “senior” discounts on tickets to the movies and museums or when they make a variety of other purchases. Such benefits reflect an ongoing concern for a group of people who were once universally characterized as “living on fixed incomes” (a characterization that is no longer accurate, given that Social Security and some other government benefits are now indexed to keep up with inflation).

From the enactment of Social Security in 1935 through the late 1970s, U.S. public policy issues concerning older people were framed by this “compassionate ageism.” Researchers, journalists, and politicians took what was a very *heterogeneous* group of people and attributed to them the *same* characteristics, status, and just deserts—creating an artificially homogenized group that they labeled “the aged.” The lowest levels of economic status, health, and functional capacities that could be found among older persons became familiar as common denominators in public discourse. Elderly persons tended to be seen as poor, frail, dependent, objects of discrimination, and above all “deserving.”¹¹

The stereotypes expressed through this ageism, unlike those of racism or sexism, were not wholly prejudicial to the well-being of its objects, older

people. The American polity responded to them by adopting and financing major age-categorical benefit programs, advantageous tax provisions, and various price subsidies. For the most part, eligibility for these benefits was not determined by need. Rather, we saw the creation of the New Deal's Social Security, the Great Society's Medicare and Older Americans Act (an omnibus social service program), special old-age tax exemptions and credits, and a wide variety of other measures enacted during President Nixon's New Federalism.

The result? The elderly received very special treatment; they were not subjected to the traditional screening applied to welfare applicants in order to determine whether they are worthy of public help.

During the 1960s and 1970s, advocates for the elderly identified just about every issue or problem affecting all or just some older persons. Most became a governmental responsibility for action through nutrition programs; legal, supportive, and leisure services; housing; home repair; energy assistance; transportation; employment assistance; job protection; public insurance for private pensions; special mental health programs; a separate National Institute on Aging; and so on. American society had learned the catechism of compassionate ageism very well and had expressed it through a great many policies designed to help "the aged."

"Greedy Geezers." But, starting in the late 1970s, the long-standing compassionate stereotypes of older persons began to undergo an extraordinary reversal. A watershed article entitled "Aging America: Who Will Shoulder the Growing Burden?" appeared in the *National Journal*, an influential publication in Washington public policy circles.¹² Older people came to be portrayed as one of the more flourishing and powerful groups in American society. This was the result, in part, of the many new government programs. But it was also the result of the growing number of elderly persons and false notions regarding their political behavior.

Suddenly older persons were attacked as too powerful and, at the same time, a burdensome responsibility. Throughout the 1980s and into the 1990s the new stereotypes, readily observed in popular culture, depicted aged persons as prosperous, hedonistic, politically powerful, and selfish. For example, "Grays on the Go," a 1980 cover story in *Time*, was filled with pictures of senior surfers, senior swingers, and senior softball players. The elderly were portrayed as America's new elite—healthy, wealthy, powerful, and "staging history's biggest retirement party."¹³

A dominant theme in such accounts of older Americans was that their selfishness was ruining the nation. The *New Republic* highlighted this motif with a drawing on the cover caricaturing aged persons, accompanied by the caption "greedy geezers." The table of contents' "teaser" for the story that followed announced that "The real me generation isn't the yuppies, it's America's growing ranks of prosperous elderly."¹⁴

This theme was echoed widely, and the epithet “greedy geezers” became a familiar adjective in journalistic accounts of federal budget politics.¹⁵ In the early 1990s, *Fortune* magazine declaimed that “The Tyranny of America’s Old” is “one of the most crucial issues facing U.S. society.”¹⁶ These themes concerning seniors have persisted and grown in public discourse over the years. For example, a 2003 story in *Slate* commenting on the costly new legislation that now provides Medicare prescription drug coverage for the elderly was titled “Meet the Greedy Grandparents.”¹⁷

The initial precipitating factor for this reversal of stereotypes was probably the appearance of new concerns regarding Social Security’s finances. In 1973 the trustees of the program’s trust funds reported for the first time in the program’s history a projected deficit, and in the years that followed the projections got worse. An unusual confluence of double-digit rates of inflation with high unemployment (together with problems related to the way benefits were indexed) created the problem. Opponents of Social Security were quick to seize on the problem as evidence that the program might not be able to pay promised benefits, and the media gave this view a lot of attention.

Ultimately the financial situation was addressed by accepting the recommendations of a bipartisan commission chaired by Alan Greenspan, which was assigned the task of working out a solution. These recommendations became law as the Social Security Amendments of 1983. The projections immediately changed for the better, but the public relations damage was done. This financial scare, along with some others that followed, resulted in growing concern among the public, and opinion polls began to show that increasing numbers of people doubted they would get promised benefits.

Two longer-term elements also contributed importantly to the reversal of stereotypes. One was the “graying of the budget,” that is, a tremendous growth in the amount and proportion of federal dollars expended on benefits to aging citizens (which, in the late 1970s was about one-quarter of the annual budget and at that time comparable in size to expenditures on national defense).¹⁸ Perhaps the earliest public comment on this trend was by David Broder of the *Washington Post* in 1973: “The significant, semi-hidden story in the . . . federal budget is that America’s public resources are increasingly being mortgaged for the use of a single group within our country: the elderly.”¹⁹

By the late 1970s and early 1980s other journalists and a number of scholars began to notice and publicize the large proportion of the budget spent on old-age benefits. Economist Barbara Boyle Torrey, for example, pointed up this phenomenon by reframing the classical trade-off of “guns vs. butter” (a common metaphor used in introductory economics courses) to “guns vs. canes.”²⁰

Another element in the reversal of the stereotypes of old age was the “discovery” of dramatic improvements in the aggregate status of older

Americans, in large measure due to the impact of Social Security and Medicare. The success of these programs had improved the economic status of aged persons to the point where journalists and social commentators could—with only superficial accuracy²¹—describe older people, on average, as more prosperous than the rest of the population.

Intergenerational Equity. In this climate of opinion, public discourse became increasingly hostile to governmental programs benefiting older people. Moreover, the aged emerged as a scapegoat for a wide-ranging list of other American problems. In the mid-1980s, for instance, when it was widely (and erroneously) perceived that Japan had surpassed the United States as the dominant nation in the world economy, former Secretary of Commerce Peter Peterson suggested (believe it or not) that a prerequisite for the United States to regain its stature as a first-class economic power was a sharp reduction in public programs benefiting older Americans.²²

But a new twist was added to making older people scapegoats for the nation's economic ills. Most of the problems for which older Americans were blamed were portrayed as issues of what was and still is called “intergenerational equity”—or, really, intergenerational *inequity*. At first, these issues of equity were propounded in a contemporary dimension. A number of advocates for children blamed the political power of elderly Americans for the plight of youngsters who had inadequate nutrition, health care, and education, and who also had insufficiently supportive family environments. One children's advocate even proposed that parents receive an “extra vote” for each of their children in order to combat older voters in an intergenerational conflict.²³ This construct of conflict between elders and children was given considerable respectability and momentum in 1984 when demographer Samuel H. Preston, then president of the Population Association of America, erroneously argued that rising poverty among children was the direct (cause-and-effect) result of rising benefits to older people.²⁴

Widespread concerns about spiraling American health-care costs were also redirected, in part, from health-care providers, suppliers, administrators, and insurers—the parties that were responsible for setting the prices of care—to elderly persons for whom health care is provided. A number of academicians and public figures, including politicians, expressed concern that health-care expenditures on older persons would soon absorb an unlimited amount of our national resources. It was argued that the elderly were already crowding out health care for others, as well as a variety of additional worthy social causes.²⁵ A prominent bioethicist, Daniel Callahan, even argued that denying life-saving care to persons aged 80 and older is necessary, desirable, and just.²⁶

The construct of intergenerational equity also has a future dimension, focusing on *the impending changes* in the age structure of American society that will be brought about by the aging of the baby boom. One aspect of this

issue was highlighted by what was called “generational accounting” analyses. This analytical approach was developed by Boston University economist Laurence Kotlikoff.²⁷ Though highly controversial,²⁸ generational accounting statistics have received considerable attention. Kotlikoff projects a bleak financial return from government old-age programs. He argues that future generations of older people will do less well than contemporary older people in terms of the taxes they pay for income security purposes relative to the subsequent lifetime payments they will receive through public programs.

These and other concerns about the future were highlighted by the efforts of an organization that called itself Americans for Generational Equity (AGE). AGE was formed as an interest group in 1985, with backing from the corporate sector as well as from a handful of congressmen who led it. The organization recruited some of the prominent “scapegoaters” of older people, such as demographer Samuel Preston and bioethicist Daniel Callahan, to its board and used them as spokespersons. According to its annual reports, most of AGE’s funding came from insurance companies, health-care corporations, banks, and other private sector businesses and organizations that are in financial competition with Medicare and Social Security.²⁹

Central to AGE’s credo was the proposition that tomorrow’s elderly baby boomers will be locked in conflict with younger generations with regard to the distribution of public resources. AGE’s basic view was that the large aggregate of public transfers of income and other benefits to older persons was unfair. These transfers, they argued, are financed through inequitable and burdensome taxes on the contemporary labor force—transfers of a magnitude that are unlikely to be available to generations in the future.

AGE disseminated this viewpoint from its Washington office through press releases, media interviews, a quarterly titled *Generational Journal*, a book by one of its members,³⁰ and periodic conferences on such subjects as “Children at Risk: Who Will Support an Aging Society?” and “Medicare and the Baby Boom Generation.”

AGE faded from the scene at the end of the decade. This was primarily the result of internal strife among its key leaders and the disgrace of a principal founder, Minnesota Republican Senator David Durenberger. (In 1990, Senator Durenberger was formally and unanimously “denounced” by a vote of the U.S. Senate for illegal conduct related to the receipt of outside income.)

In 1992, AGE’s dismal message regarding the economic and social consequences of maintaining Social Security and Medicare in an aging society was taken up by another organization called the Concord Coalition. The president and a founder of the Concord Coalition is Peter Peterson, who has been an executive in the investment management and financial services industry for many years. The organization is dedicated “to educating the public about the causes and consequences of federal budget deficits, the long-term challenges facing America’s unsustainable entitlement programs [read Social Security and Medicare], and how to build a sound economy

for future generations.”³¹ The trail blazed by AGE has also been followed by a number of other elderly-hostile generational initiatives. For example, a generational organization called Third Millennium includes in its “Declaration of Beliefs” the following statement: “Social Security is a generational scam—fiscally unsound and generationally inequitable.”³²

By the end of the 1980s, the themes of intergenerational inequity and conflict had been adopted by the media and academics as routine perspectives for describing many social policy issues.³³ They had also gained currency in elite sectors of American society and on Capitol Hill. For instance, the president of the prestigious American Association of Universities asserted in 1986, “[T]he shape of the domestic federal budget inescapably pits programs for the retired against every other social purpose dependent on federal funds.”³⁴

The construct of intergenerational inequity had gained such a strong foothold in the thinking of policymakers that many took it for granted as they analyzed American domestic policy issues. For example, in 1989 a distinguished “executive panel” of American leaders convened by the Ford Foundation designated older persons as *the only group of citizens* that should be responsible for financing a broad range of social programs for persons of all ages. In a report titled “The Common Good: Social Welfare and the American Future,” the panel recommended a series of policies, costing a total of \$29 billion.³⁵ And how did the panel propose that this \$29 billion be financed? Answer: solely by taxation of Social Security benefits! In fact, every financing alternative considered in the report assumed that elderly people should be the exclusive financiers of the panel’s package of recommendations for improving social welfare in our nation. Apparently the Ford panel felt that the reasons for this assumption were self-evident. It did not even bother to justify its selections of these financing options, as opposed to others.

APOCALYPTIC DEMOGRAPHY AND THE MERCHANTS OF DOOM

The political transformation of older persons from needy objects of compassion to greedy geezers engaged in intergenerational combat set the stage of public discourse beginning in the 1980s for the entrance of what we call the “Merchants of Doom.” We use the term Merchants of Doom loosely to describe a variety of politicians, policy pundits, academicians, and journalists who have been tenaciously promoting a number of crises that they say will arise because of the aging of our population. We call them “merchants” because of the common attribute of selling their concerns to promote various interests—a particular ideological point of view (in many cases), opportunistic selling of financial services products (in others), and/or a blatant hostility toward older people in general. We use the term “doom” to emphasize that one of their selling techniques is to portray impending disasters.

The Merchants of Doom are serious, well-respected individuals. Some have written lengthy books presenting facts and analyses that they think are supportive of their crisis and disaster scenarios.

What we emphasize in this book, however, is that to a considerable extent the so-called crises described by the Merchants are built on exaggerations and faulty assumptions (see “The ‘Wisdom’ of the Merchants of Doom” for a snapshot overview of their “wisdom”). Most important, we point out why the “solutions” they put forward to deal with their designated crises are undesirable for Americans of all ages.

The Wisdom of the Merchants of Doom

- “If our government continues on the course it has set, we’ll see skyrocketing tax rates, drastically lower retirement and health benefits, high inflation, a rapidly depreciating dollar, unemployment, and political instability.” *Lawrence Kotlikoff and Scott Burns*
- “Seniors suck the marrow from our bones through Social Security . . . [and] baby boomers have stuck the next generation with the bill from their ’80s parties.” *Bill Strauss and Neil Howe*
- “The tyranny of America’s old—by clinging to an outsize share of government goodies, the elderly are unintentionally forcing the nation to short change its young.” *Lee Smith*
- “You’re going to have [a society] ruled by old people.” *Philadelphia Inquirer*
- “Tomorrow’s elderly will be quite formidable enough as a political lobby . . . They will back any party which promises more health care, more public transport, more residential homes—and higher pensions.” *The Economist*
- “Perhaps the most threatening economic prospect facing the 78 million Americans born between 1946 and 1964 is their retirement. . . . The children of the baby boom and the children of the baby bust will be locked into their demographic destiny. We will most certainly collide in generational warfare if the policy curve we are on maintains its present course.” *David Durenberger*
- “Today’s affluent seniors are unfairly competing for the resources of the future elderly [while Social Security remains] the ‘third rail’ of American politics.” *Paul Hewitt*
- “Politicians have pandered to older voters today by placing an inconceivably massive, but invisible (for the present) financial burden on people who can’t lift a finger to protest: the young and the unborn—in other words, on your children.” *Ben Stein and Phil DeMuth*

Alan Pifer and Lydia Bronte, the editors of an influential 1986 book *Our Aging Society: Paradox and Promise*, sought to alert policymakers and other readers to the problems that might be caused by what they termed *a demographic revolution*. Given the projected future population structure, they asked, “Would such [an aged] society, or anything approaching it, be viable?”³⁶

The alarming tenor of this question is typical of most writing on this topic, then and today. The literature on the impact of population aging is now quite large. The writers that we call the Merchants of Doom customarily begin articles and books on the future of aging by pointing out the declining ratio of workers to dependents, linking these changing “dependency ratios” to a so-called economic and political “crisis” looming on the horizon. They see the crisis arising from three trends. First, as we discussed above, there is the long-term decline in fertility rates, which means that the national *proportion* of older persons continues to grow. Second, there is the trend of sharply increasing *absolute numbers* of older persons who will be eligible for old-age programs. And third, there is the substantial increase in average life expectancies at older ages, which means that persons eligible for old-age benefits will be receiving them for longer periods than in the past.

Average life expectancy at age 65, for example, increased by 31 percent from 1950 to 2002. Today, a 67-year-old woman can expect to live on average over 18 years. So when the youngest of the baby boomers has her 67th birthday in 2031, she may very well (given upward trends in longevity) collect Social Security benefits for over two decades (through the year 2050 or longer).³⁷

What are the consequences of these demographic changes? If one heeds the Merchants of Doom, the consequences are quite threatening, even frightening, for older people and society in general.

One of them, bioethicist Daniel Callahan, is concerned about health-care expenditures for older people of today and tomorrow. In 1987 he wrote a widely read and influential book titled *Setting Limits: Medical Goals in an Aging Society*. In it he characterized the older population as “a new social threat” and a “demographic, economic, and medical avalanche . . . one that could ultimately (and perhaps already) do [sic] great harm.”³⁸ Accordingly, he proposed limits on life-saving health care for elderly persons.

An eminent liberal economist, Lester Thurow, former dean of the school of management at MIT, has constructed an ominous scenario from the demography of population aging. He envisions a revolution: “A new class of people is being created . . . It [the elderly class] is a revolutionary class, one that is bringing down the social welfare state, destroying government finances, altering the distribution of purchasing power and threatening the investments that all societies need to make to have a successful future.”³⁹

Investment industry executive Peter Peterson has written a number of articles and books that present apocalyptic visions of the aging society. One

of his latest works is a book titled *Gray Dawn: How the Coming Age Wave Will Transform America—and the World*. The jacket and the title page immediately convey his distressing interpretation of the worldwide consequences of population aging by displaying the following call to arms: “There’s an iceberg dead ahead. It’s called global aging, and it threatens to bankrupt the great powers. As the populations of the world’s leading economies age and shrink, we will face unprecedented political, economic, and moral challenges. But we are woefully unprepared. Now is the time to ring the alarm bell.”⁴⁰

Such doomsaying has not been confined to academics, journalists, and other commentators on public affairs. Politicians have also been among the Merchants of Doom. One of the earliest public officials to weigh in with gloomy perspectives on the aging society was Democratic Senator Bob Kerry of Nebraska (now president of The New School in New York). In 1993, when President Clinton was attempting to secure passage of legislation to raise taxes, he needed one more vote in the Senate. Kerry had not committed himself, so he had bargaining leverage with the president. He used it to get Clinton’s promise to create a Bipartisan Commission on Entitlement Reform, with Kerry as its chair, in return for the latter’s vote on taxes. Entitlement reform, of course, meant Social Security and Medicare reform. To no one’s surprise, the Kerry Commission report depicted continuing government financing of pensions and health-care costs for older people as *an unsustainable economic burden* for our nation.⁴¹ Since then, other national politicians have expressed similar concerns about the future of old-age benefit programs.

President George W. Bush strongly entered the fray when he began his second term in 2005, particularly with respect to the future of Social Security. In a campaign without historical precedent, he personally undertook a speaking agenda, described by the White House as “60 stops in 60 days,” to decry the status of the Social Security program. He repeatedly asserted that the program was immanently headed for disaster—that it soon would be “flat bust,”⁴² and that it was “headed toward bankruptcy.”⁴³ He blatantly ignored the fact that the shortfall, estimated to be around 26 percent, was not projected to begin until the 2040s—more than three decades hence. To undermine confidence in Social Security financing, President Bush undertook a “photo-op” trip to an office building in Parkersburg, West Virginia, home of the U.S. Federal Bureau of Public Debt. There he ceremonially opened a file cabinet holding the U.S. Treasury bonds that have accrued as reserves in the Social Security Trust Funds and declared these U.S. bonds to be worthless; he described them as “just IOUs” and asserted that “there is no trust fund.”⁴⁴

This characterization will surprise most people, because U.S. government bonds have long been considered the most creditworthy and safest financial asset that one can hold. But these financial securities held as trust fund

reserves—about \$1.7 trillion in 2005 and expected to total about \$3.5 trillion in 2017—enabled him to exaggerate the timing of the system’s shortfall. On another occasion Bush said that Social Security would “cross the line into red” in 2018⁴⁵ (the first full year then projected by the Social Security trustees for drawing on the reserves to help pay benefits).

President Bush’s primary solution to the Social Security problem was to partially dismantle the program. The president’s favored approach was to divert some of the payroll taxes that are now dedicated to financing Social Security, and then use them to set up private individual accounts that could be invested in the market to stimulate the private sector and, hopefully, earn high returns for investors. However, when confronted by experts who pointed out serious problems with his recommendations, President Bush admitted that what he was proposing would do nothing to solve the Social Security financing shortfall projected to occur decades from now.

The Role of Ideology. Are the Merchants of Doom simply realistic policy analysts, putting forward pragmatic solutions? Perhaps some are. But most of them are also enemies of government action in the social arena and ardent champions of private sector solutions to social problems.

There can be little doubt that President Bush and many other Merchants of Doom are ideologically motivated as they sell the notion that Social Security is in disastrous shape and put forward plans to privatize it. Privatizing Social Security has been on the agenda of conservative and libertarian think tanks, such as the Cato Institute, since the 1970s.⁴⁶ In the case of President Bush, there is a long history of ideological distaste for the Social Security program. According to one of his professors at Harvard Business School in the mid-1970s, Bush denounced President Franklin Roosevelt in class as a socialist, and specifically identified Social Security as one of several New Deal programs that he was opposed to.⁴⁷ And during his presidency, Bush has repeatedly indicated his preference for what he calls “the ownership society,” a philosophy that is clearly expressed by his proposal to divert Social Security payroll taxes to fund individual private accounts.

The ideology behind Social Security privatization is part of a resurgence of antigovernment conservatism in the broader political arena that began during Ronald Reagan’s presidency and continued through President William Clinton’s two terms. Clinton was a longtime central figure in the Democratic Leadership Council, a relatively conservative faction of the Democratic Party. Clinton’s theme throughout his presidency was “End big government as we know it.” One of his most notable steps in that direction was to sign the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, commonly known as Welfare Reform, which strictly limited the number of years an individual can be on welfare.

Prior to the Republicans gaining control of Congress in 1995, despite the forecasts of doom, Social Security and Medicare were widely assumed to be

permanent features of American society. It was thought that changes in these programs might take place but that their general contours would remain the same, with revenues and expenditures continuing to grow. After all, it was not just Democratic presidents that allowed the programs to grow. When Dwight Eisenhower became the first Republican president after 20 years of Franklin Roosevelt's New Deal and Harry Truman's Fair Deal, he showed no inclination to undo or cut back Social Security. In a confidential letter to his brother Edgar, President Eisenhower commented: "To attain any success, it is quite clear that the Federal government cannot avoid or escape responsibilities which the mass of the people firmly believe should be undertaken by it. Should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history."⁴⁸

Presidents Richard Nixon and Gerald Ford were likewise supporters of the program. President Ronald Reagan's view was different; he proposed reducing Social Security benefits during his first term in the early 1980s. But when his proposal was immediately and vociferously criticized by Congress, he took it off the table.⁴⁹ This incident helped reinforce the journalistic cliché: "Social Security is the third rail of American politics: touch it and you're dead" (which we discuss in Chapter 9). Medicare was regarded as equally sacrosanct.

However, with the escalation of conservatism and the Republicans taking control of Congress in 1995, the "safe harbor" status that old-age benefit programs had enjoyed began to erode. In addition to growing concerns about the impact of an aging baby boom on Social Security and Medicare expenditures, another ingredient in the mix was the bipartisan belief at the time that growing federal budget deficits had to be brought under control. Social Security, Medicare, and Medicaid—taken together, by far the largest expenditure item in the federal budget—presented important targets for cuts. Toward this end, Congress submitted to President Clinton a budget bill for fiscal year 1996 that included a \$452 billion reduction in projected Medicare and Medicaid spending over seven years. The president was willing to approve smaller reductions in Medicare and Medicaid spending, but he vetoed the bill, citing the size of the reduction and some structural changes proposed for the programs as among his reasons for doing so. Nonetheless, this episode, along with the 1994 report of Senator Bob Kerry's Bipartisan Commission on Entitlement Reform, clearly put old-age benefit programs into political play as potential candidates for major change.

Shortly thereafter, a key event was a 1997 report of an Advisory Council on Social Security that was asked to address long-term financing needs facing the program. Although the Council agreed on many changes to the current program, they could not agree on the financing structure for future benefits. Instead, their report presented three different approaches endorsed by subgroups of the Council. Two of these approaches called for partial

privatization of Social Security into personal investment accounts; a third called for investing some of the Social Security trust fund in the stock market (instead of the current investment in U.S. bonds.)⁵⁰ Each plan called for investing tens to hundreds of billions of additional dollars in the private sector. Needless to say, many denizens of Wall Street were pleased.

These and subsequent proposals for partial privatization, from both Republicans and Democrats, *have transformed the politics of Social Security reform*. The rapidity with which privatization gained political acceptability was underscored in the spring of 1998 when the Senate passed a resolution calling for private investment accounts to be part of any Social Security reform package.⁵¹ By that summer, President Clinton was seriously considering some form of equity investment as part of Social Security reform.⁵²

President Bush picked up this theme during his 2000 election campaign, and in his first year in office he appointed a President's Commission to Strengthen Social Security. The president made sure that only people who supported privatization of Social Security in some form were appointed to the Commission. Not surprisingly, the Commission's report argued that the long-term financial solution was to introduce privatization.⁵³ But once again there was no unanimous agreement; the Commission's final report presented three alternative strategies.

The fact that the Commission members could not agree and the events related to 9/11 pushed the Commission's report into the background. But, as indicated above, the president was not to be deterred. He made privatization a top priority on his domestic policy agenda as he began his second term. Many groups in the American business community quickly supported the President's efforts, joining a newly created Coalition for the Modernization and Protection of America's Social Security. By early April 2005, the coalition included 116 business associations and interest groups.⁵⁴

"SOLUTIONS" THAT INCREASE RISK?

Political scientist Joseph White has written a book titled *False Alarm: Why the Greatest Threat to Social Security and Medicare is the Campaign to "Save" Them*.⁵⁵ His title succinctly conveys some of our concerns about the tenor and direction of today's policy discussions regarding our aging nation.

First, the Merchants of Doom are overstating the problems that population aging creates for Social Security, Medicare, and other old-age programs. Everyone agrees there are financing problems, but they are not caused solely (or primarily) by demography and the baby boomer phenomenon. As the Center on an Aging Society at Georgetown University has demonstrated, "demography is not destiny,"⁵⁶ especially with respect to public policies; policies continually change—especially over periods exceeding 20 years. Economist Henry Aaron of the Brookings Institution reminds us that projections in the arena of public policy *almost invariably prove to be wrong*.⁵⁷

A number of factors can render obsolete today's projections regarding the future of old-age programs and opinions about their economic consequences. For example, higher rate of economic growth could eliminate the Social Security shortfall by exceeding the relatively conservative rate that the Social Security trustees have postulated in making their projections. Or, the present political climate that emphasizes cutting taxes, rather than raising them, could change, making it politically more feasible to use taxes to deal with shortfalls. Consider that President Clinton, not many years ago, succeeded in raising taxes in his first year in office to meet national needs. Not only did he get reelected, but raising taxes did nothing to harm, and may have helped trigger, one of the most prosperous periods in American history.

Second, the radical solutions being offered by the Merchants of Doom would put the old-age benefit programs that helped to make old age the Golden Years at much greater risk than they presently are. For instance, if a portion of the present payroll tax is diverted to set up individual accounts for investment in the market, the projected shortfall in Social Security will occur much sooner than the trustees have projected. This would not only affect the financial security of many baby boomers, but also older people who are already receiving Social Security.

Third, a major reform offered by the doomsayers is to put much more responsibility for retirement financing back into the hands of individuals. If they have their way, ultimately the bulk of retirement savings will be invested in private accounts, with almost all the risks (and there are many) associated with such accounts falling on the individual. Given the risks and complexity of financial planning (and the problems associated with unscrupulous retirement hucksters), the economic future for older people would likely to be very different. Instead of today's financial security in old age, the Merchants' approach could head us in the direction of massive financial insecurity.

Finally, through their apocalyptic warnings the Merchants of Doom are diverting societal attention from reform measures that would enable baby boomers to experience the same moderation of old-age risks that older persons of the past 40 years have experienced. At the same time, they are unnecessarily undermining confidence in and political support for the present system that has served recent generations of older persons so well. If confidence in the present approaches can be maintained, there is much that can be done to deal with the problems that are projected without radical and risky reforms.

THIS BOOK

Many years ago, when the authors of this book told people that we dealt with public policy and aging, they often said: "What does public policy have to do with aging?" Today, hardly any American would ask such a question. Rather, the many journalists, academics, and politicians that we

term Merchants of Doom are tireless in warning of very bad times ahead and calling for major changes in policies on aging. They constantly seek to sell us myths that predict extraordinary crises arising from the aging of the baby boomers, resulting (they envision) in the serious disruption of public policies and dire economic, social, and political consequences for the nation.

The Merchants of Doom inspired us to write this book because their gloomy scenarios about the future contain gross exaggerations and, in our opinion, unnecessarily frighten people. Moreover, their assertions about the future promote highly unsound changes in public policy that may do great harm to the country's citizens. They claim, for example, that Social Security will collapse and must be replaced in whole or part. They tell us that policies to deny health care for elders at older ages will be necessary. They argue that future generations must work much longer before they can retire. They say that we should prepare for a politics of class conflict arising between the old and the young. And their special message to baby boomers is that they must bear the brunt of the burden through these cutbacks in pensions, health care, and retirement years.

Certainly we cannot say too many times that there are problems surrounding old age and that policies on aging can be improved. But we do not think that the future is as bleak as the Merchants of Doom would have us believe. Our aim in this book is to help readers sort out the truth from the myths. In doing this, our focus is on the economics and politics of aging. Income is not the only resource contributing to our economic and general welfare in old age.⁵⁸ But as Mollie Orshansky (who developed the official U.S. poverty index) has observed, "While money might not be everything, it is way ahead of whatever is in second place."⁵⁹

Given dire predictions about the future, some would have us turn back the clock and shift more responsibility for old age to individuals and their families. However, in this book we will explain why, whether we like it or not, the days of major individual and family provision for old age are gone. As never before, the older people in industrialized nations are now, and will remain, highly dependent on the retirement income and service programs sponsored by their employers and governments. One result is that politics and government play a major and growing role in determining the outcome of what life will be like for us in old age.

The question of a nation's ability to support various age groups and generations at "appropriate levels" is very complex. We argue in this book that much of what is written today on the issue is too simplistic, misleading, and overly pessimistic. There is no doubt that population aging complicates the decisions facing baby boomers and other generations to follow. We argue, however, that the future costs of an aging population and our ability as individuals and a nation to meet these costs depend fundamentally not on demography but on the general *economic health* of the nation and the quality of the programs addressing issues of old age.

In a growing and prosperous country like the United States, almost anything is possible. The major economic issue we need to confront, therefore, is whether we can keep growing and whether we want growth to provide a higher standard of living in our retirement years at the expense of a lower standard in our younger years. We all (governments, businesses, families, and individuals) have to make many major choices. Although trade-offs in governmental and family budgets must be continually made in the short run, rising incomes in retirement are closely related over the long run to the sacrifices we are willing to make in consumption during our earlier years. Focusing our attention almost exclusively on demographics and rising pension costs is a wrong approach. This is especially true if the goal of such a focus is primarily to scare the public as a political way of getting policies and programs changed to better serve certain ideological and/or monetary ends.

Finally, when we try to develop sound aging policies by focusing on people only when they are old, we are missing a critical perspective. Aging is a lifelong phenomenon, with the outcome in old age dependent on decisions made about life at all ages during the life course. Thus, whether we like it or not, the “economics of aging” begins for most of us quite early in life.

In this book, we look closely at how demography and politics are changing the world that baby boomers are aging into. We explain why the demographic aging of our population will cause few major problems and, hence, why demography will have little to do with our future economic prosperity.

If not demography, what? We look in Chapter 8 at what will probably be the most important (and most difficult to solve) domestic issue of the twenty-first century: who will get quality health care in the United States and how we will deal with skyrocketing health-care costs. While the nation is busy debating the future of old-age pensions and proposed radical change through privatization, there have been no major proposals to address the problems of health-care coverage and costs (while they are getting dramatically worse by the hour).

To the extent that health-care costs are currently addressed, the focus, once again, is on the wrong issue—looking primarily at rising Medicare and Medicaid costs. In truth, the factors causing the rise in the costs of these two programs are, for the most part, the same factors responsible for the rise in overall health-care costs for all age groups. Therefore, as a report by AARP (formerly the American Association of Retired Persons) correctly argues: “It is necessary to address system-wide issues in order to succeed in containing public-sector health care costs. Simply put, the problem is not Medicare and Medicaid—it is our entire health care system, which requires reform and our immediate attention.”⁶⁰

Other chapters in this book explain why retirement pensions are so important in modern societies and the problems posed by replacing traditional pensions with “personal pensions.” If this trend continues, there will be a big

rise in the uncertainty and risks associated with our economic security in old age. This rise will, in large part, be the result of employers and governments shifting responsibility for old-age provision to the worker and his or her family. The personal pension approach to retirement preparation requires workers to master complex financial issues and choose from a variety of investment strategies. In addition, they will need to choose and evaluate financial managers delegated to exercise fiduciary responsibility over personal accounts.

One result will be increased demands for individuals to acquire significant financial acumen to deal with their new financial responsibilities. But in Chapter 6 we discuss why it is almost inevitable that there will be pension losses by many—losses as a result of the uncertainties, risks, and inevitable market shocks that surround individual financial retirement accounts. The result may be increasing numbers of elderly individuals having to rely on their children and other family members to “bail them out.”

As we discuss in Chapter 3, historically this alternative of support from children and family *was never viewed favorably by most Americans*. Rather, the welfare nature of family transfers was disliked by both those who had to give them (typically the children) and the elderly who had to go “hat in hand” to receive the “family welfare.” And perhaps most disliked of all were the instances when older people were forced to turn to government welfare programs as a result of need. It was this strong repugnance for welfare of either kind that made Social Security such a welcomed program in the 1930s and in the years that have followed.

In Chapter 7, we discuss at length one increasingly popular view that is being promoted as the solution to the many problems of an aging population—more work when people are old. It is a fact that we now spend more time in retirement than we spend as young children and students. And in not too many years, if past trends continue, Americans will be spending more time in retirement than they will spend working in the paid labor force. It is appropriate, therefore, to consider whether the many years of leisure now enjoyed by retirees today should be reduced for workers of the future. Raising the retirement age is a major component in most reform proposals seeking to deal with the economic issues related to our aging population structure. “Put the elderly back to work” is likely to be one of the rallying cries of the future. In Chapter 7, we explain why these policies are not likely to work.

In Chapter 9, we discuss the concern many people have that as older persons become a significantly larger proportion of the population, their growing political power will skew decision making and *selfishly direct economic resources* in their favor. We explain, however, that such concerns are based on a number of incorrect assumptions and political myths. We cannot be certain what the future politics of aging will be like, but we explain why we think it will not be much different from today. And we discuss

why, almost certainly, we are not going to see the rise of some sort of “gerontocracy”—rule by the aged—in our country.

In our concluding chapter we outline a strategy for reshaping discussions regarding the challenges of population aging. More is at stake than the well-being of older persons or the fiscal soundness of Social Security and Medicare (as important as these may be). That is, it’s not *just* about aging. The lives of Americans of all ages are inextricably linked with the fate of today’s and tomorrow’s elderly. Yes, population aging does pose certain fiscal challenges. But we argue that many policy debates regarding the future of our aging nation *should be* and *can be* reframed and understood as issues of *family policy* which, in effect, is what they are. Seen in this light, sensible solutions to policy problems are likely to have broad popular support.

THE THREATS AND THEIR SOLUTIONS

In the end, what are people to believe? On the one hand, one group says most of the problems of future aging are relatively minor and can be dealt with without radical changes in policy and our behavior. On the other hand, others say that the problems are so great that cataclysmic events lie ahead if we do not act in a dramatic way to institute new programs and policies.

No doubt the truth lies somewhere in between. More importantly, we cannot talk as if the problems of our aging nation can be addressed as one homogeneous group of issues, because people in the older-age ranges and their situations are diverse. And it is clear that all the problems cannot be solved by reducing the costs of Social Security and Medicare.

In the chapters that follow, we survey the so-called “threats” and criticize many of the solutions currently being proposed. We point out the many important achievements to date that make current and future life in old age not just tolerable (unlike the past for many) but in fact a period of life that is truly enjoyable for most Americans—a truly amazing national achievement that, unfortunately, is now “under siege.” Finally, we argue that a nation that has a large proportion of its population that is old is not necessarily a nation on the wane, with diminished economic vitality and reduced national power. Certainly, our changing demography is not the key determinant of our destiny.

