CHAPTER 10

The Emerging Postmodern Culture of Aging and Retirement Security

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The aging experience in the twenty-first century is likely to be substantially different in many respects from what it has been over the last several decades or since the creation of publicly supported retirement systems in most developed countries after World War II. Some of these differences are cultural in nature. Members of the baby-boom generation, who constitute the next generation of retirees, have been deeply influenced by post-World War II cultural changes, many of which are associated with the protest movements of the 1960s and 1970s. These movements for social justice were largely focused on recognizing and protecting the rights and freedoms of individuals regardless of race, ethnic, or gender identities. These movements were also organized to change, and often diminish, the role(s) of traditional institutions and to limit their capacity to shape and control the lives of individuals for the benefit of small institutional elites. The fundamental, common objective of these movements, their organizing principle, was the valorization of individual autonomy, which affected virtually every institution in Western societies.

The effects of these cultural changes can be seen today in the values and aspirations of individuals across socioeconomic, religious, ethnic, and age divisions. According to Allen Wolfe (2001):

Moral freedom has become so ubiquitous in America that we sometimes forget how pathbreaking it is... What so many philosophers and theologians for so long considered an impossible idea has become the everyday reality in which modern Americans live. (p. 184)
This focus on the value of moral autonomy is likely to have a great influence on how members of the baby-boomer generation experience aging and manage retirement. Many of them will be committed to organizing their lives around the exercise of freedom, choice, and control, even, or especially, under conditions of impairment. These changes in cultural values and the way baby boomers intend to live in retirement may be referred to as the emerging postmodern or posttraditional culture of aging. We attempt to describe some of the major features of this culture within the context of larger societal trends toward postmodern values and cognitive styles. We also address the implications of the ideological differences between what we call the neoliberal and progressive postmodern perspectives on the aging experience in the years ahead. These differences are especially salient for the social and economic well-being of future retirees, most of whom will be dependent on publicly supported income and healthcare benefits as current retirees. Our argument is that the dismantling of programs providing the benefits would undermine any opportunity for most retirees to experience the kind of freedom, creativity, and self-development that are potentially a part of the postmodern aging experience. Postmodern cultural trends create greater space for individual agency and public welfare programs, including income support and healthcare programs for retirees, and should be designed to nurture individual choice and control. This does not require, however, the dismantlement of programs, which would leave most retirees without the resources required to exercise choice and control in any effective manner. Neoliberal proposals to dismantle the welfare state would resurrect the hazards of old age characteristic of the premodern past, including poverty, poor healthcare, and powerlessness.

The chapter is organized into four sections. It begins with an overview of some of the cultural and social changes and trends associated with the emergence of posttraditional, postmodern society, with particular reference to its valorization of individual freedom and agency. Those changes will be examined that, we think, have the greatest salience for the future of aging. This brief overview of some of the major tenets of postmodern social theory, or theories of posttraditional societies, is not intended to be comprehensive. Rather, our intention is to use these theoretical tools to identify a few of the more salient trends and changes in Western societies as a prelude to discussing their implications for social policy in general and policies for the frail elderly in particular.

The second section examines neoliberal postmodernism and the public policies that emerge from its perspective. This section is critical of the neoliberal approach to policy, which may make sense for affluent, elite “third agers,” but ignores physical vulnerability, impoverishment, and other barriers to the exercise of agency.

In the third section, we review a range of economic data on current and future retirees. In our judgment, these data clearly demonstrate that most retirees over the next several decades will be dependent on maintaining and even enhancing current income support and healthcare programs.

The fourth section proposes a progressive, postmodernist approach to public policies related to the elderly. This approach emphasizes autonomy and self-determination, hallmarks of postmodernism, but wedds this emphasis with maintaining and improving publicly supported retirement security. We describe the kind of public policies we think would be most compatible with the kinds of lives older persons are likely to experience in the future. These policies differ from the neoliberal privatization policies that are often associated with a strand of postmodern thought that celebrates the role of the market and self-expression through consumption. We refer to our recommended approach to new policies for the elderly as the “new synthesis.” It gives equal weight to ensuring the economic security of the elderly and creating more flexible self-empowerment-oriented policies that reflect the opportunities for freedom and individual autonomy created by the emergence of posttraditional, postmodern societies.

**THE POSTMODERN WORLD AND THE NEW INDIVIDUALISM**

The postmodern world, or late modernity, which is still largely a Western phenomenon, is increasingly shaped by conscious, intentional change that tends to radicalize life by eroding traditions and exposing society and the individual to growing contingency and risk. These trends also produce more opportunities for freedom and creativity for individuals and society. The influence of traditions, and the institutions that embody them, has faded over the last several decades, and social organizations and individuals increasingly have had to write their own scripts and make decisions about a wide range of issues that were once largely made for them by adherence to strong traditional values and ways of life. For Beck and Beck-Gernsheim (2002) this means that

All metaphysics and transcendence, all necessity and certainty are being replaced by artistry. In the most public and the most private ways we are helplessly becoming high-wire dancers in the circus tent. And many of us fall. Not only in the West, but also in the countries that have abruptly opened their doors to Western ways of life. People in the former GDR, in Poland, Russia or China, are caught up in a dramatic “plunge into modernity.” (p. 2)

One of the features of modernity is the shifting balance between tradition and expert knowledge, favoring the latter. The fading of traditions is liberating in the sense that choices are no longer so strongly prescribed. As this shift occurs, people face the task of building their own identities and mastering the tools of self-creation—of making their own decisions about values and behaviors.

This self-creation does not mean that people make decisions and live their lives completely independent of others. We often look to others for guidance and support, but they are just as much on their own as we are, and the collective expression of values is more likely to take the ephemeral form of fads and fashions.
rather than traditions. Where tradition once stood, producing the expected goals and routines of life, we have in its place an increasing degree of self-reflexivity that requires us to make decisions on our own in terms of self-generated criteria and rationales.

The growing importance of autonomously constructed narratives of the self creates the conditions for the proliferation and diversification of cultural perspectives, lifestyle options, belief systems, and the eclectic blending of values and behaviors. This trend toward multiple cultural perspectives and openness has major implications for older persons and the retirement experience.

... in relation to retirement as a whole, the scope for decision-making has been drastically widened. Increasingly, people are being called upon to build their lives around their own individual planning, both in relation to finances and the timing and manner in which they leave the workplace. These questions indicate that older age has simultaneously become a major source of “risk” but also a potential source of “liberation.” Old age does threaten disaster—poverty, severe illness, and the loss of a loved one. But it also brings the opposite: freedom from restrictive work and domestic roles; new relationships; and a greater feeling of security. People do truly ride a “juke music” in older age, and this makes the period more rather than less central as an issue of concern for social policy. (Phillipsen, 1998, p. 125)

In posttraditional society, reasons have to be given for attitudes and behaviors in the growing absence of tacit assumptions based on widespread acceptance of traditional culture and belief systems. These reasons are increasingly drawn from self-constructed life narratives that open up space for discursive personal relationships and expanded cognitive activity. In the postmodern world, individuals bear greater responsibility for articulating their own attitudes, values, and behaviors.

Ronald Inglehart (1997) and his colleagues have been tracking changes in values since the early 1970s in over 25 countries with the use of survey data. In the vast majority of these countries, the data indicate movement from materialist to postmaterialist and postmodern values. The shift involves a movement away from values associated with the search for economic security to a growing emphasis on individual autonomy, self-expression, tolerance, human rights, ecological awareness, and rejection of institutional and hierarchical authority in all domains. All of these trends are accompanied by a deepening quest for personal meaning and morality; for spiritual development; close, affectionate ties with family members and friends; and existential significance in work.

In summarizing the overall impact of these changes in values, Inglehart (1997) writes that

... the publics of advanced industrial societies are moving toward Postmodern values and placing increasing emphasis on the quality of life. Empirical evidence from around the world shows that cultural patterns are closely linked with the economic and political characteristics of given societies. The Modernization syndrome is linked with a shift from traditional to rational-legal values; but the emergence of advanced industrial society gives rise to a shift from survival values to postmodern values, in which a variety of changes, from equal rights for women to the emergence of democratic political institutions, become increasingly likely. (p. 339)

The decline in traditions has brought with it a decline in the robustness of human values rooted in authoritative external systems, and a corresponding shift toward individualized values, worked out to fit the individual’s needs and goals. This shift in the locus of values has strong implications for organizational commitments and behavior, favoring the democratization of social arrangements. The institutional response to the pursuit of individual autonomy and reflexivity is eroding hierarchical command and control systems throughout society and creating greater opportunities and requirements for the exercise of autonomy and choice.

Individual autonomy and reflexivity are expanding the scope of ethics in everyday life and making philosophers of us all. Beck and Beck-Gernsheim (2002) notes that it is in the

... everyday experiments in living that we will find out about a new ethics that combines personal freedom with engagement with others and even engagement on a transnational basis ... we are living in a highly moral world despite what the cultural pessimists try to tell us. But it is not a world of fixed obligations and values. Rather, it is one that is trying to find out how to combine individualization with obligations to other, even on a global scale. (p. 212)

These trends toward a posttraditional society, characterized by revisable, contestable expert knowledge, provisional authority, and self-reflexivity, are creating the conditions for the democratization of social institutions, which must increasingly accommodate individual autonomy as the organizing principle of posttraditional, late modern society. Democratizing processes now operate at every level of society, including personal relationships characterized by mutual understanding, intense communication, sensitivity, and equality. This democracy of the emotions offers many rewards, but also puts relationships under considerable strain. This pressure is less likely to be experienced in more traditional societies where the form and substance of relationships are more likely to be inherited than made. The relational pressure in traditional societies tends to arise, on the contrary, from oppressive power relationships.

There is no guarantee that the trends and changes described here, under the broad conceptual framework of posttraditional or postmodern society, will eventually culminate in institutions and cultures that are fundamentally characterized by institutional and individual reflexivity, discursivity, flexibility, and openness. Nor is it a certainty that fluctuating networks of power, leveled hierarchies, and a politics and ethics based on extensive equality and individual autonomy will
prevail. These broad trends are arrayed against powerful forces, including atavistic nationalisms, religious and ethnic fundamentalisms of many kinds, and the drive of transnational corporations to control the global economy and create a global culture through relentless marketing, deregulation, and privatization.

Neoliberal Postmodern Theory and Public Policy

There are multiple strands of postmodern thought, including a neoliberal version that emphasizes the privatization of social, economic support and healthcare services that must be examined before we propose a progressive, postmodern approach that emphasizes both security and freedom, or what we call the new synthesis of public policy. The neoliberal variant is

... a celebrationist, Saatchi-style postmodernism, commodified to the gills—regardless of whether the shopping is done in the mall or cyberspace. It sidesteps disparities in wealth just as a group of advertising executives might circumnavigate a homeless beggar on their lunchtime return to the office. In this way it ignores the differential ability of groups to become active consumers and bestows full human status only on those able to choose. Its designation of gender and ethnicity and the like as merely lifestyle choices misses the point that these are also social divisions and still significant sites of inequality. This then is a complacent and selfish postmodernism, which, with its hyper-commodification of the cultural realm, serves to exclude the poor just as efficiently as any caste system in history. (Carter, 1998, p. 21)

This kind of “celebrationist” postmodernism reduces social, political, and public life generally to participation in the market and the citizen to just another consumer whose rights are determined by their power in the market—by their wealth or lack of it. This is a kind of postmodernism that is consistent with neoliberal economics and its agenda for privatization of public sector programs and for moving control of tax-funded programs from the public to the private sector where they can be used to generate profits in the name of increased choice and efficiency.

Neoliberal postmodernism is expressly designed to divide the elderly into those who can fully provide for themselves and those who cannot and to dramatically reduce public support for the latter. According to Gilleur and Higgs (2000):

The relative affluence of occupational and private pension holders separates them out from those older people as primarily welfare benefit recipients. It is the latter group who now constitute the “problem” of “old age.” The same dichotomy is played out in relation to health care. Here people are presented with two images: one the physically frail and dependent “fourth-ager” lacking the necessary “self-care” skills to sustain a third-age identity, the other the active and healthy individual producing and consuming his or her “third age.” (pp. 103-104)

Neoliberal postmodernism uses many of the same concepts and categories (individualization, reflexivity, autonomy of the self, detraditionalization) we and others use to describe the emerging trends of the posttraditional/postmodern societies of Europe and the United States. Neoliberal postmodernism, however, does not support public policies we think are necessary if the opportunities (freedom, creativity) of postmodern aging are to be extended to more than just affluent elite. According to neoliberal postmodernists, the full potential of postmodern aging cannot be achieved without the dismantling of the age-based entitlements of the welfare state, which has trapped retirees in a labyrinth of structural dependency, stigmatizes elderly people, and is inconsistent with their increasing affluence and capacity to construct their own identities through patterns of creative consumption. The fundamentally antistatist, promarket “oclipse of the social” tendencies of this perspective are clearly evident in the following passages from Gilleur and Higgs’ exegesis of the aging experience under conditions of what they refer to as “advanced liberalism.” The expectation that

... individuals themselves should take responsibility for achieving and maintaining health, wealth and well being throughout their adult life. Such a perspective represents later life as the culmination, or final reckoning, of how well such responsibilities have been exercised. Too much government is seen as constraining the space where individual liberty can be expressed. While interpretations of this political shift may vary, the outcome is everywhere evident in the growing emphasis upon reducing public expenditure, privileging the role of “market forces,” criticizing state paternalism, resisting the collectivization of social identity and expressing skepticism toward all “grand narratives,” and their attempts to claim the ideological high ground.” (Gilleard & Higgs, 2000, p. 63)

According to this scenario for the future of aging

... third-age identities are likely to be elaborated through increasing material consumption, a sense of “packing life in” to a period of adulthood of uncertain length and a wary and ambivalent position in relation to providing for “old age.” Third-agers, while acknowledging old age, are likely to prefer to live at a considerable physical and psychological distance from it. (Gilleard & Higgs, 2000, p. 45)

For those with the resources, participation in the market can be a means of escaping assignment to the ghetto of old age. They have the “... cultural capital to avoid getting locked into a generational ghetto increasingly distanced from the global ‘youth’ culture of the late twentieth century” (Gilleard & Higgs, 2000, p. 64).

According to the neoliberal narrative, economic hardship and poor health in old age indicates that the individual has failed to ward off disease through preventive measures and a failure to keep up with the times in terms of lifestyles and attitudes. This view of old age and its vicissitudes as wholly the responsibility
of the individual is fundamentally a construction of neoliberal ideology and the corporate agenda that focuses on reducing the public sector through tax cuts and privatization of programs like Social Security and Medicare and on the marketing of a growing array of anti-aging products to aging baby boomers.

Anthony Giddens (1994), a representative of the so-called “third-way,” has adopted much of the neoliberal position on aging public policy by advocating a reduction of public pensions in order to make individual agency the organizing principle of old age.

...governments should concern themselves with the creation and promotion of the “autotelic self” who not only has self-respect and ontological security but also challenges risk as a way of achieving self-actualization. The abolition of the state retirement pension may be a fundamentally radical idea as far as contemporary politics is concerned, however, it is not so far from the practice of recent British governments who have insured that state pensions have become less and less valuable in real terms. (p. 98)

One may ask at this point how older persons, who have not earned enough during their work careers to support families, make investments, and build savings all at the same time, can be expected to experience ontological security and self-actualization in the absence of basic economic and healthcare security. Gillearde and Higgs (2000) claim that the growing influence and disenchantment with the state are dissolving the link between the citizen and the state and diminishing the need for and desirability of state welfare systems to meet the needs/demands of older persons.

As states increasingly require individuals to take responsibility for their later life, they target economic and healthcare assistance to only the poorest and most impaired (from universal to means-tested benefits). According to Gillearde and Higgs (2000):

It seems doubtful that their [the poor and impaired elderly’s] lot has worsened in consequence and relatively speaking their numbers have diminished; nevertheless they remain as an iconic warning against “improvidence”—both during and after working life. (p. 120)

There is an extraordinarily chilling tone to this plainly written description of what would become of the frail elderly in the neoliberal version of postmodern society where they would have value, primarily “as an iconic warning against improvidence”—a breathtakingly aggressive form of blaming the victim. One can only imagine what the cost to the frail elderly will be if this neoliberal vision of society and public policy becomes dominant. And what would be the costs to everyone else if this heartless view of the frail elderly were to become characteristic of Western societies?

Furthermore, it should be noted that according to Gillearde and Higgs (2000), citizenship is not only an illusion for the frail elderly requiring long-term care, but increasingly for the affluent (successful) elderly and everyone else as well in a postmodern society where the consumer is replacing the citizen, and one’s value is largely a function of a purchased lifestyle. There is, of course, one other implied source of value for the frail elderly who have become hopelessly damaged consumers—they have value as commodities within the long-term care industry where profits are being maximized by minimizing the number of caregiving staff hired, paying them poorly, and providing no benefits. In the neoliberal postmodern society, the frail elderly may be the canaries in the coal mine, providing an “iconic warning” to many other less-than-optimal consumers for whom citizenship is becoming illusory.

If government policies continue to treat “the elderly” simply as another category of need, alongside the disabled, the mentally ill and other “marginalized communities,” few retired people are likely to find such a “politics of age” either of personal interest or of collective concern. Instead they may turn away from the idea of citizenship altogether, preferring their own constructed self-identities. (p. 123)

The authors’ reference to the disabled in this context is curious—the disabled have, at least in the United States, effectively extended the scope of citizenship in recent years by achieving, through protest, legislation, and other forms of political activity, an extensive array of social rights. The disabled community is, in fact, a model of effective action for aging advocates committed to making healthcare and long-term care more humane and responsive to the needs and preferences of the elderly and their families—to the creation of a new synthesis in public policy of security and freedom.

We have many misgivings about the kind of neoliberal, postmodern society described by Gillearde and Higgs (2000), which largely center on their reduction of value and meaning to the workings of the market and the acquisition of consumer goods, which eviscerates the necessary conditions for any morally and politically effective sense of social solidarity. We think they are right, however, in their analysis of what neoliberal, postmodernism intends for the future of the welfare state and the status of the many elderly and members of other groups who cannot pretend to be completely self-sufficient. Indeed, most retirees depend on Social Security for half or more of their income and could not afford private insurance in the absence of Medicare. Precise predictions are impossible, but these realities are not likely to be any different for most members of the next generation of retirees who will carry more debt and fewer defined benefits pensions into retirement than their parents.

CURRENT AND FUTURE RETIREE
FINANCIAL STATUS

The neoliberal version of postmodern aging is fundamentally at odds with the economic realities of current and future retirees in Western societies. The
neoliberal notion that most retirees are now affluent and that an even greater majority will be independently well off in the future is not supported by the facts of economic life among current and future middle-class retirees.

In the United States, the median household income of those aged 65+ is $24,000 for whites and a little over $16,000 for African Americans and Hispanics; and Social Security constitutes 41% of the income of all retirees on average, which is 6% greater than 40 years ago. Over two-thirds of all retirees depend on Social Security for 50% of their income; this percentage is 75% for female retirees and 77% for minority retirees (Wu, 2001). In terms of financial wealth, the median net worth (minus value of home) of the bottom three income quintiles of those aged 70+ (75% of total population 70+) is $68,500, $15,000, and $1,000 respectively. Only the top quintile has sizable financial assets with a median net worth of $285,000. The median net worth of minority elderly aged 70+ is less than one-third that of whites (Reynolds-Scanlon, Reynolds, Peek, Polivka, & Peek, 1999).

What about the income and financial status of the next generation of retirees, those now between ages 47 to 64? Will they have enough income and wealth to make them qualitatively less dependent on entitlement programs than current retirees and more capable of experiencing the pleasures of neoliberal, postmodern aging as envisioned by Gildeard and Higgs (2000)? A greater percentage of future retirees are likely to have high incomes and substantial wealth than among current retirees due to higher incomes and asset accumulation during their working years and continuing employment after age 65. An analysis, however, of projected retirement wealth among those aged 47–64 indicates that most retirees over the next 30 years will not be substantially better off than their parents (Wolff, 2002).

Mean retirement wealth, which is defined as projected income from defined benefits and fixed contribution pension plans and Social Security, increased by 10% from 1983 to 1998 for those aged 47+ and total wealth (net work and retirement wealth) increased by 2%. In terms of median values, however, retirement wealth fell by 7% during this period and total wealth by 9%. Mean retirement wealth declined from 1983 to 1998 for all households age 47+ with less than $500,000 in net wealth, stagnated for those with $500,000–$999,000 in net wealth, and grew by 44% for those with $1 million plus in net wealth. The retirement wealth of African Americans and Hispanics fell by 14.5% for the age 47+ group and by 20% for those aged 47–64. These trends reflect the growing income and wealth inequality in the United States over the last 25 years (Wolff, 2002). The increasing dominance of defined-contribution pension plans and declining or stagnant wages among most workers is likely to increase inequality in retirement wealth over the next several decades.

A recent study by the Employee Benefits and Retirement Institute (EBRI) found that retirees will have $45–$50 billion less in income in 2030 than they will need to cover basic needs (food, housing, transportation, out-of-pocket acute-care costs, etc.) and any costs arising from an episode of care in a nursing home or from a home health provider (VanDerhei & Copeland, 2003). The cumulative shortfall by 2030 will be over $400 billion. Increased savings could be used to cover or reduce this projected shortfall. For most, however, the increase would have to be very substantial (5% to 25% of earnings more than they are saving now). Current average savings in the United States have fallen to about 1% from 11% in 1983, with higher income groups saving up to 10%–20% and lower income groups accumulating more debts than savings. For example, older, lower income women would have to save 25% of earnings to close the gap. In fact, all women in the lowest quintile (bottom 25%) income group, regardless of age (64 or 38) would have to save 25%, which is simply impossible given their low incomes (VanDerhei & Copeland, 2003).

It should be noted that the EBRI model projections are based on very conservative assumptions, such as everyone works until age 65 (most workers now retire well before age 65); and individual retirement account balances are annuitized over a period of time that expands life expectancy by five years, even though annuitization rarely occurs now; and no changes in Social Security. In short, the retirement income prospects of the preboomers and boomers are decidedly mixed and are likely to be most challenging for the 1936–1945 cohort and lower income single women across all cohorts (VanDerhei & Copeland, 2003). Also, recall that Wolff’s projections indicate that the age 47–55 boomers have lower retirement income than age 56–64 boomers. Furthermore, is it realistic to think that workers aged 47–64 will be able to increase their savings by 5% to 10% of income in order to have a 75% to 90% chance of achieving retirement income sufficient to cover basic expenses?

Basic expenses for future retirees may actually be higher than those projected by the EBRI model, especially for healthcare. According to an analysis by Johnson and Fenner (2004), out-of-pocket healthcare costs for the retiree population, given current policies and projected cost increases, will increase from 12.7% to 27.3% for married couples between 2000 and 2030 and from 11.6% to 21.8% for unmarried adults. As a result, married couples in the lowest income quintile will see their net income shrink from $13,326 on average to $11,981 and those in the second quintile will see an increase of only $1,680, from $23,184 to $24,764. The same trends hold for unmarried persons as well, but at substantially lower income levels—$7,000 and $12,000 for the two lowest quintiles.

Any notion that families will be able to save and invest enough to cover projected shortfalls in retirement income over the next several decades is largely evanescent by the current financial condition of most families that are caught in the vise of rising costs and declining or stagnant incomes and are unable to generate adequate retirement wealth. The decline in discretionary family income cannot be explained by excessive consumption. The average family in the United States spends 21% less on clothing than in the 70s ($750 less than in 1973), 22% less on food, and 44% less on major appliances. They spend 23% more on home entertainment/computers, but this amounts to only $170.00 annually. There is little evidence for more frivolous spending today than 25 years ago (Warren...
Overspending can't explain a 255% increase in foreclosures, 430% increase in bankruptcies, and 530% increase in credit card debt since the 70s. These trends are largely the result of big increases in family expenses. These increases in fixed costs (home mortgage, child care, education, and health insurance) have reduced discretionary income for dual-income families below the amount available to single-earner families in 1975.

Families now spend a lot more on houses, 60% of which are 25 years or older and most are no bigger than in 1975. Housing prices increased by 76% from 1983 to 1998 for families (from $98,000 to $175,000 on average)—a lot more even with lower interest rates. Mortgage debt increased by 39% for the highest 10% of earners between 1989 and 2001, 94% for the middle 20%, 124% for the next lowest 20%, and 191% for the lowest 20% of earners. Owners' equity as a percentage of their real estate value fell from 70% in 1983 to 55% in 2003. This increase is driven by the pursuit of safety and better educational opportunities (schools) for their children—a 5% increase in fourth grade math and reading tests in a school adds $4,000 to nearby houses. With more flexible lending strategies (5%-10% down payments) and increased housing prices, mortgage costs have increased 69% (inflation adjusted) since the 70s (Warren & Tyagi, 2003).

Education costs have also risen rapidly. Over 60% of three- and four-year-olds now attend preschool, compared to only 4% attendance 30 years ago. In Chicago it costs $6,500 a year for prekindergarten, and few receive public support. College education has become an economic necessity. The gap between available slots and the number seeking admission is growing, costs are increasing faster than inflation, and available aid is not keeping up with the growing need for help. Tuition fees at public universities have doubled in 25 years (inflation adjusted). Tuition, room, and board now cost $8,600 annually on average or 17% of the average family's pretax income, and private universities are two to five times more expensive (Warren & Tyagi, 2003).

Health insurance premiums have risen severalfold since the 1970s, and individuals are 49% more likely to be uninsured than 25 years ago. The number declaring bankruptcy in the wake of a serious illness has increased by 3000% since 1975. As housing costs, mortgage debt, healthcare, and education costs soared and job security declined, lending industries (mortgages and credit cards) were substantially deregulated after a 1978 Supreme Court Ruling allowing banks to export interest rates from state to state, essentially eliminating usury laws which capped interest rates at 10% to 14%. Credit, even with defaults, is now a highly profitable consumer product (Warren & Tyagi, 2003).

These 25-year trends toward increasing reliance on mortgage and credit card debt are substantially driven by declining or stagnant family incomes. Real wages declined from a high of $5.14 an hour for nonsupervisory workers in the 1964–1967 period to $13.91 in 1981–1992 and $13.60 in 1993–2000. Wages have lagged far behind productivity growth since 1973. Wages tracked productivity only from 1997 to 2001, but the gap remains huge (10 times greater than in 1973 when the gap was 25%). In percentages, wages fell by 15% between 1973 and 2000, and the poverty levels increased even as the per capita GDP was 70% higher in 2000 than in 1974; productivity was 61% higher and the stock market was up 603% (Pollin, 2003). Stocks were driven up by unprecedented increases in price earning ratios (44.2 times in 1998 vs. 14.5 times from 1880–1989). This occurred in response to the new economy myth, reduced regulation, reduced corporate and capital gains taxes, and the emergence of stock options (CEO compensation). The integration of the United States into the global economy, which increased employer access to low wage workers in other countries, and declining union membership/power are major sources of wage stagnation/decline.

These trends appear likely to persist far into the foreseeable future, given current domestic economic and trade policies. The latest recession may have ended in 2002, but unemployment remains high, new job growth remains slow, wages are stagnant, and productive capacity utilization remains below 80%. The currently modest recovery is based on historically low interest rates, modest inflation, and strong consumer spending that is debt driven, including second and third mortgages. Bond and mortgage rates are still well above interest rates, but housing costs continue to increase rapidly (10%-15% annually) and now consume almost 40% of income compared to 28%-32% in 1990. Real interest rates (interest rates minus inflation) are 6% compared to 4.8% between 1972 and 2001. Average household debt reached 107% of disposable income in 2002—in the past, debt ratios have always fallen during recessions (Warren & Tyagi, 2003).

One reason for this increasing level of debt is that wages fell for most U.S. workers from 2001 to 2004 after rising modestly (1% to 2%) from 1995 to 2001. This decline was largely a function of increased unemployment and the generally lower wages or meager benefits of new jobs compared to those lost as faster growing industries pay less than shrinking industries (Economic Policy Institute, 2004). Rising employment is likely to improve wage levels in the future, but the probability of a big surge in the number of higher quality, higher income jobs is relatively low. As noted in a report (Gould, Mishel, Bernstein, & Price, 2004) from the Economic Policy Institute, Bureau of Labor Statistics, employment projections show that

...there will not be any surge in the need for college-educated workers over the next decade that will offset losses from offshoring [outsourcing] (a factor not incorporated in the current BLS projections). Moreover, there is unlikely to be any skills mismatch between the jobs available and the skills of the workforce.

...employment will be shifting to occupations with higher median annual wages, but the effect will be to raise annual wages by only 1% over 10 years (or 0.1% per year). This is not a large change compared to the real wage growth that occurs each year or to the effects of occupational shifts identified in earlier years.
In short, the economic status of most future retirees is likely to be about the same as current retirees. Most future retirees will have no more in private retirement wealth than the current 65+ population and are likely to be as dependent on publicly provided retirement benefits (Social Security and Medicare) for their economic well-being, which makes the preservation of these benefits a critical political challenge. It should be understood, however, that the economics of this challenge are less a function of rising payroll taxes and population aging per neoliberal doctrine than the rising cost of private healthcare and increasing income and wealth inequality. Dean Baker (1998) writes:

The public attention given to the problems the nation will face as the baby boomers retire has been largely misplaced. By itself, the retirement of the baby boom generation will not prevent workers in the future from enjoying substantially higher living standards than do workers today. But tomorrow's workers still face another, more serious problem: rising health care costs and growing wage inequality threaten to greatly diminish the future living standards of most workers. In order to protect the well being of future generations, it will be necessary to bring health care costs under control and to stop, if not reverse, the trend toward greater wage inequality.

Baker's (1998) analysis, which is based on projections from the Social Security Trustees and the Health Care Financing Administration (now Centers for Medicare and Medicaid Services), shows that if there were no increase in wage inequality, after-tax wages and family income would be 30% higher in 2030 for an average family than in 1998, and after-tax, after-healthcare income would be 41% higher. The retirement costs of the baby boomers in 2030 would reduce after-tax wages and family income by only 6%. If, however, healthcare costs rose at the rate projected by the Health Care Financing Administration in 1998, then after-tax, after-healthcare income would be 27% higher in 2030 for the average family. After declining from 1998 to 2001, annual healthcare cost increases returned to the levels projected in 1998. Rising income inequality, which has continued largely unabated since 1998, will reduce after-tax income for families in the middle of the income distribution by 22% between 1998 and 2030.

The combined effects of rising health care costs and increased wage inequality lead to an actual decline in after-tax, after-healthcare income for most of the population through the next century. The projected loss in the year 2030 for a family in the middle of the income distribution, compared to the baseline, is 37%, or more than six times as large as the impact of changing demographics. (p. 7)

Clearly, the future costs of Social Security and Medicare are not a threat to the economic well-being of families over the next 30 years. In fact, these programs are essential to their well-being in that they ensure the financial status of older relatives. The true threat to the economic well-being of families arises from neoliberal policies of tax cuts for the wealthy, reductions in spending for education, childcare, and other social programs, privatization and deregulation, anti-union measures, and other policy initiatives that fuel rising inequality and healthcare costs.

**Toward a Progressive Postmodern Public Policy for the Elderly**

As public policy debates acknowledge the decline in traditional sources of truth and the rise of individualism, is there a different route to a viable postmodern old-age policy other than the neoliberal alternative discussed above? In this section, we will attempt to show that current policies are largely not consistent with our emerging posttraditional society, and that this gap will become increasingly evident and difficult to justify as the huge baby-boom generation ages over the next 30 years. This generation is the first to feel the full weight of the change and trends we described in the first section, and this influence is likely to effect their expectations of social policy in the future.

The trends and changes caused by the emergence of posttraditional society and its associated values and behaviors represent a growing challenge to current social policy. Any effective response to this challenge will require the creation of new conceptual and explanatory frameworks in the development and execution of policies and programs. Frameworks that reflect posttraditional values (autonomy, reflexivity, self-determination, equality) will gain support. The outlines of neoliberal social-policy alternatives are already evident, but they are not the only ones possible. The postmodern world is full of alternatives that are more responsive to the needs and desires of individuals whose identities are drawn from a sense of the self as

...a multiple personality, with plural, distinct and often conflicting facets and needs, finding expression in ever-changing and highly personalized, eclectic lifestyles, now more usually held together by particular patterns of personalized preferences and values than by the imposition of the dull routine of everyday life or of social-structural and functional necessities. Giddens, Connolly, Taylor and we ourselves have hypothesized that accompanying the "disembedding" of the self from its traditional social location is a process of the "reinvention" of the self (Connolly, 1991; Giddens, 1991a; Taylor, 1989).

We hypothesize the emergence of new structures of feeling and new patterns of values and preferences amongst western citizens that have an impact on behaviour, practices and institutions, including areas considered in social policy (Gibbins & Reimer, 1995). (Gibbins, 1998, p. 41)

Abandoning positivistic notions of an essential, innate human nature and tradition-based metanarratives that support the normalizing tendencies of conventional social theories and practices creates space for exploring the diversity, difference, and indeterminacy that are inherent in all discourse and behavior. In the absence of metanarratives or grand theories about human behavior designed to
generate a consensus around comprehensive controlling social practices, we can begin to recognize the realities of pluralism, fragmentation, diversity of culture, and subjective realities, the contingency and ambivalence of postmodern life. Gibbins (1998) has noted that

... if social policy has to deal with new selves and groups who are more self-authored, autonomous and assertive, it will need to change its assumptions, aims and practices. ... How to reconcile the results of the processes of disembedding, pluralisation and empowerment is the problem inherited by postmodern social policy, with which every police force, prison, school, hospital and community must grapple. Changing needs, desires, problems, uncertainties and risks, emerging from the new situations and relationships, also pose immediate challenges. (pp. 43-44)

These challenges are also present in the provision of health- and long-term care services for older persons.

In responding to these challenges, a new theoretical framework and criteria are needed for the development of social policy.

The outlines of this can be found in various recent texts, which advocate for the future (rather than celebrate the arrival of) the empowerment of citizens: the encouragement of autonomy, self-actualisation and expressivism at the individual level; the development of new politics, and new political structures and organizations, such as new social movements, at the group level; the recognition, legitimation, and support of new types of family, network and lifestyle; the search to craft particular packages of services for particular cases; the prioritizing of particularism (not selectivism) over universalism ... the pluralising of services; the recognition that a new set of welfare values and principles is needed to deal with a more cosmopolitan and differentiated society. ... (Gibbins, 1998, p. 44)

These are the kind of empowerment-oriented values and realities that should guide the development of postmodern public policies designed to support a new synthesis of security and freedom for older people; they are expansive policies that are flexible enough to be responsive to individual needs and desires.

What we are proposing here is a synthesis of elements from the emerging postmodern culture and the welfare systems that have emerged and evolved since World War II in the United States. This synthesis would emphasize individual choice, agency and autonomy, but would wed these values to a strong awareness of needs of the vulnerable and of society’s responsibility for seeing that their basic needs are met (security).

Chris Phillipson (1998) describes this new synthesis perspective well when he writes that he is not arguing

... for a narrow “postmodern” view of ageing which focuses simply on choice and reflexivity, ignoring the profound inequalities of class, gender and ethnicity which continue to shape the lives of older people. In fact, I wish to draw a middle position between these two: arguing, first for a framework which provides the necessary financial support for older people; but, second, for greater flexibility as regards the way in which older age is allowed to develop within society. (p. 127)

In terms of economic security, this approach makes the case for a broader, more expansive Social Security system that provides more equal benefits, especially for minorities and women; and that responds to the increasing level of risk experienced by employees in rapidly changing economies across the developed world, including declining private pensions and the growth of pensions based on defined contributions. This means that public pensions should be redesigned to reflect the value of productive activities, such as caregiving, that occur outside the formal marketplace, and that are responsive to the realities of contemporary work, such as multiple entries and exits from formal employment. Flexibility within the occupational system should not come at the price of exclusion from provisions for financial security in old age.

Neoliberal proposals to privatize public pensions, including the U.S. Social Security system, would make them as risky as private pensions have become with the spread of defined contribution (DC) plans (401 & IRA plans) over the last 25 years. As noted earlier, only half of all employees in the United States now have private pensions and most of these are defined contribution plans. The level of benefits generated by these plans is contingent upon employee and employer contributions and the performance of the equity and bond markets in the years prior to retirement. The growth of these plans over the last 25 years has not enhanced the retirement security of most employees who cannot afford to maximize their contributions and are often forced to cash out their accumulations prior to retirement to cover family expenses and reduce debt. Accumulation levels have been greatly restrained by stagnant/declining wages and rising costs over the last 30 years. The average 55-year-old employee now has less than $55,000 in her defined contribution account, which would generate less than $2,000 annually if converted to an annuity at retirement. Seventy percent of employees cash out their accounts at retirement rather than purchase annuities (Munnell, Sundén, & Lidstone, 2002).

Privatizing Social Security would only increase the economic insecurity of future retirees with defined-contribution private pension plans or no private pension at all. Social Security in its current form is a more essential source of income for future retirees, especially women, minorities, and lower income workers generally, than it is for current retirees. Privatization of Social Security, along with the growth of DC private plans, would put retirement income at greater risk without solving the Social Security Trust Fund shortfall problem and creating a huge, $1 to $2 trillion transition cost problem for which no one has offered a feasible solution. Preserving Social Security as a publicly funded program would require relatively minor adjustments over the next 40 to 50 years. These
adjustments should include improvements in benefits for minority retirees, women, and other lower income employees.

Privatization would undermine retirement security for low- and middle-income retirees and increase their dependence on family resources, which are already barely sufficient to keep most families afloat. Twenty-five years of stagnant wages, low savings, rising housing, health and education costs have squeezed families to the point of relying on debt to cover necessities. In short, privatization of the publicly supported retirement system represents a profound threat to the financial and emotional capacities of the intergenerational family. These capacities will come under additional stress in the years ahead as the number of elderly requiring caregiving assistance grows by 50% to 100%.

A recent analysis of the impact of the two privatization proposals developed by the President’s Commission on Social Security found that a sizable majority of future retirees would have lower retirement incomes under both proposals than under the current programs. Those who had the misfortune of retiring during a downturn in the stock market would be especially disadvantaged. During the most recent market decline (2001–2003), defined contribution accounts lost 20%–40% of their value and are still far short of their 2001 predecline levels (Diamond & Orszag, 2003).

The new synthesis of retirement security will require major enhancements in health- and long-term care policies in order to expand opportunities for freedom in old age. Out-of-pocket medical expenses under Medicare have grown dramatically over the last 15 years (from 10% to 20%+ of discretionary income) and have put routine medical care beyond the reach of many less affluent older people, especially women. Adding a prescription drug benefit to Medicare will help reduce out-of-pocket costs for some retirees, but many older people will not have adequate access to healthcare until Medicare copayments and deductibles are substantially reduced and long-term care is made an affordable Medicare benefit.

The recently passed Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA), which includes a relatively meager, bizarrely designed drug benefit, is fundamentally a neoliberal proposal that includes several provisions designed to privatize Medicare, including private sector administration of the drug benefit, health savings accounts, a lot more money for HMOs, and six demonstration projects designed to test the relative cost-effectiveness of managed care versus fee-for-service Medicare beginning in 2010. What MMA does not include is any plausible prospect of cost containment. All major components of the healthcare industry do well in the bill with pharmaceutical companies and HMOs set to make many billions of dollars over the next five to ten years and physicians and many hospitals receiving rate increases. It is difficult to see how Medicare costs will be contained by reimbursing HMOs at rates 5% to 20% above payment levels in the fee-for-service system.

If Medicare costs are contained following implementation of the MMA, it is likely to occur as a result of increased beneficiary out-of-pocket spending, which is already three times the percentage spent by those under age 65. Without effective regulation, Medicare costs and beneficiary spending are both likely to increase. The MMA essentially leaves the struggle over the privatization of Medicare unresolved and guarantees that it will intensify in the future as healthcare costs continue to increase and the population aged 65 and older grows.

Publicly provided, long-term care is now only available to poor Medicaid-eligible elders, the vast majority of whom are in nursing homes. A new synthesis long-term care policy would make long-term care universally available under Medicare and far more flexible than the current Medicaid program. A long-term care policy designed to support the autonomy of impaired elderly persons (new synthesis: freedom) would give them much greater control over the provision of care by allowing them to decide how resources are used.

The flexible, reflexive, self-creating lives of many middle-age members of the baby-boom generation will change the aging experience over the next 30 years. However, there must be a parallel effort to retain and enhance the security provisions (Social Security and Medicare) of the new synthesis for older persons, especially minorities and women. Social Security and Medicare have greatly increased economic security among older people. These two programs have created the necessary conditions for a new synthesis of public welfare and cultural resources. This synthesis includes the freedom of a postmodern culture that offers personal meaning as well as more opportunities for multiple, diverse, and creative narratives of the self. Public policies should be redesigned to provide more support for this kind of postmodern aging through greater flexibility and responsiveness to individual needs and desires. This approach, however, is antithetical to neoliberal policies of cutting and privatizing welfare programs and reducing choice in what individuals can afford to consume through the private market.

In response to neoliberal claims that the welfare state is antiquated, Alan Walker (2002) points out that

...there is little or no evidence for the contention that the welfare state has outlived its usefulness or is unable to cope with new risks. Although there are new risks, many of the old ones continue, and the welfare state has proved itself to be a flexible institution well able to accommodate new risks. Moreover, if we consider the nature of the emergent risks, it is very clear that some form of collective welfare is required to pool their costs and to take preventative action. There are four main ones (see Boscoe & Chassard, 1999):

- a reduction in the financial risk associated with old age but with a new risk of becoming unemployed after 50;
- the emergence of a new risk associated with longevity—long-term care;
- a change in the nature of the labor market and unemployment so that, for the unemployed, it is not just a matter of geographical mobility to find work but also skills mobility to remain employable;
- new forms of insecure work with no or very low workers’ rights to social protection.
CONCLUSION

The struggle between progressive and neoliberal postmodernism over the future of public policy for the elderly is likely to play a major role in shaping the direction of politics in the West for the next several decades and the aging experience of the baby-boom generation. The future of Social Security and Medicare in the United States has already been placed in great jeopardy by the emergence of huge, long-term deficits in the federal budget and the possibility of large, continuing increases in military spending necessary to sustain a long, open-ended war against terrorism and to create a system of international security that could become the foundation for an empire.

These developments could greatly damage the potential for a progressive form of postmodernism, undermine the potential for new synthesis of freedom and security in old age, and create the economic, cultural, and political conditions for the neoliberal dismantling of health and economic security programs for the elderly as well as others. This would leave baby boomers and later generations with their market-dependent private pensions and privately purchased health insurance. This is not a prescription for freedom, creativity, and personal fulfillment in old age for most people.

Neoliberalism, of course, is not limited to an agenda of privatization of public pensions and healthcare for the elderly. The neoliberal agenda includes the privatization of public programs for all age groups and across all policy domains from education and childcare to housing, healthcare, employment, and income support programs. These proposals are as risky and counterproductive for society as a whole as the neoliberal agenda for Social Security and Medicare is for retirees. Maintaining the income and healthcare pillars of the publicly supported retirement system is essential for the economic security of future retirees. The neoliberal agenda, however, must also be opposed in all of the other policy domains through the renewal of the social democratic vision of a just, generous, and productive society. In the globalizing, post-industrial societies of the developed world, privatization policies will not only undermine retirement security, they will also restrict economic growth and erode living standards.

A more social democratic policy agenda based on public welfare as an essential form of social investment is more likely to achieve growth and a high quality of life for the vast majority through a comprehensive family support program, a high priority on gender and ethnic equality, and public provision for old age security. A family support program designed to prevent poverty and featuring extensive investments in early childhood cognitive development can qualitatively reduce levels of educational failure and increase employability and overall productivity. Gender equality has several dimensions; but from a growth and development perspective, programs that help to harmonize child rearing with employment can prevent child poverty and reduce the severe labor force and birth shortages confronting many developed countries over the next several decades. These growth-oriented social investments can better position countries to meet the increasing costs of ensuring retirement security and enhance the labor force participation of women through publicly supported caregiving programs for the growing population of frail elderly persons in all developed countries.

Neoliberal proposals to privatize education, health, and caregiving activities would greatly increase the economic and psychological burdens on families already short of resources, generate greater inequality, diminish the employability potential of many people, especially minorities and women, restrict longer term productivity growth, and undermine the capacity of nations to meet the income and healthcare needs of retirees. The damaging consequences of neoliberal policies for education, healthcare, and public welfare can already be seen in countries across the developing world where privatization, deregulation, and cuts in public spending have occurred in tandem with stagnant or negative growth and declining living standards (Polivka & Borrayo, 2004).

REFERENCES


CHAPTER 11

Dynamics of Late-Life Inequality: Modeling the Interplay of Health Disparities, Economic Resources, and Public Policies

Stephen Crystal

Over the life course, health status and economic resources interact in a complex and dynamic fashion to shape late-life outcomes. Understanding of this process and its implications for health and retirement income policy has been hampered by several factors that include inadequate data to disentangle these complicated relationships; insufficient analysis of distributional consequences of policies; and lack of clear conceptualization of interactions across domains usually studied separately.

Empirically, economic resources; health status and health-related quality of life; and access to and use of health services have typically been studied in separate “silos.” Surveys and panel datasets developed to focus on one of these domains often contain inadequate measures in the other domains. For example, health-oriented surveys have often failed to incorporate income and asset measures of sufficient quality and have inadequately addressed measurement problems in these domains, such as high nonresponse rates. Surveys with an economic orientation, for their part, have often failed to incorporate adequate measures of health, health services use, and functioning.

On a theoretical level, quite separate and distinct conceptual frameworks have been dominant in understanding health outcomes and economic outcomes. Theoretical models applied to studies focusing on one domain have seldom incorporated well-developed conceptualizations in the other domain and of interactions between the two.

This chapter presents a theoretical framework for understanding and analyzing this process. This framework integrates cumulative advantage theory with