
Social insurance programs designed to provide universal protection against economic risk have been under attack by conservative scholars, pundits, and politicians for over two decades. These critics of the social welfare state argue that we can no longer afford to pay for programs like Social Security and Medicare in an increasingly competitive global economy and that individuals and families must prepare to bear more responsibility in the future. In their view, all entitlement programs are now antiquated and should go the way of the Aid to Families with Dependent Children (AFDC) program, which was largely dismantled by Congress and the Clinton Administration in 1996. The effort to discredit and eventually dismantle the major social insurance programs has not yet had much success, even though that effort has had consistently strong media support and there has been little in the way of an intellectual counterattack. In fact, President Bush’s 2005 campaign to privatize Social Security may have done more to strengthen than undermine support for the program.

The failure, so far, to dismantle the public sector entitlement programs does not mean that the threat is diminishing. The attack on these programs is likely to intensify with the rapid growth of the beneficiary population for Social Security, Medicare, and Medicaid. Defenders of social insurance approaches for protecting people against socio-economic risk will need every available resource to preserve the hard won gains of the liberal welfare state. The Great Risk Shift, by Jacob Hacker, and Aging Nation, by James Schulz and Robert Binstock, are extremely valuable and timely contributions to the struggle against the conservative attack on the nation’s relatively modest efforts to ensure a minimum level of collective well-being. These books are analytically rigorous and lucid counterattacks against what Hacker calls the crusaders for personal responsibility and Schulz and Binstock call the merchants of doom.

The Attacks on Entitlement Programs

Aging Nation, written for the general reader, begins with a stark description of what is at stake in the ideological battles with the merchants of doom. The doomsayers claim that demographic trends, budget deficits, the need for increases in military expenditures, along with the necessity of keeping taxes low in a global economy, make maintenance of our publicly funded retirement security programs impossible. For Schulz and Binstock, the solutions offered by the merchants of doom are nothing short of horrific. The authors observe that these doomsayers “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” (p. 4).

Schulz and Binstock spend the rest of their book showing that these drastic “solutions” are not necessary and will, in fact, be harmful to many of today’s and tomorrow’s older Americans.

The authors provide a succinct history of the conservative public relations campaign to discredit retirement support programs, which began during the Reagan Administration and often included direct and mean-spirited attacks on the elderly who were called “greedy geezers,” opposed to intergenerational equity in the use of economic and health care resources. Much of this campaign has been funded for 20 years by financial corporations and led by such Wall Street stalwarts as Peter Peterson, who would benefit very substantially from the diversion of payroll taxes into private retirement accounts. As in many sectors of American life in recent years, the merchants of doom have used the politics of fear to distort the debate over entitlements. They have focused almost exclusively on the doubling of the 65+ population over the next 30
years and essentially overlooked an array of other variables that are at least as likely as demography to determine the affordability of retirement support programs in the future. Public policy initiatives designed to contain health care costs, increase the rate of productivity growth, and rationalize tax policy are likely to have a greater impact on the fiscal health of the public sector than demographic trends. But these contextual variables would greatly complicate the fatalist logic of the doomsayers regarding the future of the entitlement programs.

From an economic perspective alone, there is good reason to think that our current entitlements are affordable for decades to come. The future economic support burden will be less in 2040 than it was in 1960, when children were a much higher proportion of the population than they will be in 2040. The authors also note that per capita GDP was only $12,195 in 1964, but that economist Robert Eisner, for example, has predicted an economic growth rate around 2 percent, generating per capita GDP of $35,659 by 2030 (in constant dollars) for boomers and their children. This is a conservative prediction because average annual GDP growth has been far greater than that over the last 140 years, exceeding 3 percent.

Other contextual information neglected by the merchants of doom is the history of old age before the creation of public and private pensions and health insurance. Until the full flowering of Social Security, Medicare, and Medicaid in the 1960s and 1970s, poverty levels exceeded 30 percent among the elderly, and the percentage between 100 and 200 percent of the poverty level was nearly as high. Retirees began to benefit from the rapid expansion of private pensions after World War II, but their impact was far more limited than Social Security. Today, Social Security constitutes 42 percent of retiree income, on average, and private pensions provide about 20 percent. Before Medicare, 50 percent of those ages 65 and older did not have health insurance and were entirely dependent on charity care and their families.

Historical amnesia is crucial to the argument for dismantling entitlement programs. This history, however, is not lost to most U.S. citizens. As Schulz and Binstock observe, Social Security remains popular because of our tradition of self-reliance and independence.

Today we should not forget this central factor that keeps Social Security as relevant as it was 100 years ago: Industrialized, market-oriented economies generate tremendous insecurity from which their citizens need some protection . . . . [R]ather than becoming smaller, this economic insecurity is growing. (p. 61–62)

From the mid-1930s through the 1970s, the emergence of Social Security, private defined benefit pensions, legislation designed to protect these pensions, and Medicare and Medicaid, reduced the risks (poverty and poor health care) historically associated with old age. Over the last 20 years, however, changes in the private sector have begun to cause cracks in this intricately structured system of retirement security. Schulz and Binstock use Hacker’s phrase “the great risk shift” to describe these changes, which include increasing fluctuations in individual and family incomes, making it more difficult to save on a consistent, year-to-year basis; a huge shift in employer pensions from defined benefit (DB) plans to defined contribution (DC) plans, based on tax-tiered private investment accounts [401(k) and IRA plans]; decreasing employer-sponsored health insurance coverage for both workers and retirees; more out-of-pocket costs for those with coverage; and lessening of job security through outsourcing and downsizing. These trends have increased the risk that workers will not be able to cover family expenses (housing, education, and health care costs) without incurring steadily greater debt, which is now at historically high levels, or save enough to ensure an adequate standard of living in retirement. The savings rate is now less than zero, the lowest level since the depression. If these trends are not reversed soon, many, if not most, baby boomers will be at least as dependent as their parents on Social Security and Medicare for any measure of retirement security.

The authors recognize the need for initiatives designed to ensure the survival of these programs. They discuss several potential remedies for the projected shortfall in Social Security revenue after 2040, including modest reductions in benefit levels and small increases in taxes; and Robert Ball’s recommendations to invest some Social Security trust funds in equities rather than federal bonds and to reserve revenues from the estate tax to pay Social Security benefits. The fundamental point is that Social Security can be maintained in virtual perpetuity with modest adjustments, which are far more preferable, from a retirement security perspective, than any privatization scheme converting Social Security into a defined contribution personal account. As Schulz and Binstock observe, privatization would:

(1) destroy the current predictability and surety of benefits, (2) reduce the social contract that supports the redistribution of some Social Security revenues, and (3) open up Social Security to a whole host of new problems that plague existing defined contribution plans in the United States and abroad. (p. 86)

From Defined Benefits to Defined Contributions

In their history and analysis of employer-sponsored pension plans, the authors show that the benefits of the shift from DB to DC plans have been largely accrued to corporate management and shareholders, who, in an era of outsourcing and downsizing, no longer need to offer the kinds of guarantees associated with DB plans to retain employees. Only 39 percent of private sector employees had a pension in 2002 and over 80 percent of these were DC plans of some kind. Over 75 percent of public sector employees have pensions and most of these are reasonably well funded DB plans.

The major motivation for employers to replace their DB with DC plans is suggested by findings from Teresa Ghilarducci’s examination of the results of shifting from DB to DC plans over a 20 years period. The annual
average pension contributions of these firms dropped by one-third (from $2,140 to $1,404 per employee) as they shifted from DB to DC plans. DC plans, however, are not likely to work as well for employees as for their employers. Among the 48 million families participating in one or more DC plans, the median value is $27,000; and among those aged 55–64, the median value in 2004 was $55,000, which is enough to purchase an annuity paying only $398.00 a month.

Schulz and Binstock’s chapter on personal pension accounts is an outstanding critique of DC pensions, offering more than enough evidence to justify the title of the chapter: “The Pension Lottery.” The authors clearly show why personal accounts are qualitatively riskier than the rapidly disappearing DB plans, even though some of these latter plans are not adequately funded. After all, DB plans are insured through the Pension Benefit Guaranty Corporation (PBGC) and there is no such insurance coverage for DC plans. The sources of greater risk in the personal account DC plans include: high fees charged by some financial managers, which can reduce assets available to pay retirement benefits by 20 to 30 percent; the failure of workers to rollover money in pension accounts when changing jobs (almost 50 percent cash out their accounts); excessively conservative investment strategies by employees; failure to diversify investment holdings (the Enron factor); and the tendency at retirement to take lump sums, often quickly depleted, rather than purchase annuities at retirement. All of these risks are accentuated by the low level of financial literacy among most employees, which is a greater problem than most personal account advocates recognize, as indicated by Peter Gosselin’s interviews with Nobel prize economists, half of whom admitted that they failed to regularly manage their retirement accounts and had too much of their assets in low-interest investments.

Schulz and Binstock also offer six compelling examples of how incompetent or illegal behavior can destroy personal account investment funds. Protecting employees and retirees from fraud will require far more extensive regulation than personal accounts advocates are willing to admit is necessary.

The authors conclude their critique of DC plans with a penetrating analysis of the privatized pension systems in Chile and Britain. Both systems have fundamentally failed to achieve an adequate retirement income for more than half their retirees and are now moving to institute public pensions similar in design to Social Security for a substantial portion of their future retirees. Britain, despite its reputation for pragmatic approaches to public policy, tied itself in knots trying to implement the Thatcherite schemes of pension privatization and ended up with a confusing array of plans characterized by widespread fraud and inadequate coverage for a growing number of retirees. The current Labor government is trying to resolve the pension mess by implementing yet another plan scheduled to begin in 2012.

The big gap between the hypes promises made for the Pinochet era system of privatized pensions in Chile and the reality of limited coverage and low retirement incomes has become glaringly evident in recent years and now has the government scrambling to institute a publicly funded defined benefit plan for many retirees. The New York Times (2006) recently noted that:

The overarching problem for Chile—and the real lesson for the United States—is that private savings are not a substitute for a guaranteed core tier of old-age support. The first measure of success of a retirement system is not how much certain individuals managed to sock away, but whether the system as a whole provides basic dignity for all. By that measure, Chile’s privatized system has failed and Social Security has succeeded. (p. 1)

Will Boomers Work Longer?

Many retirement analysts and media pundits believe that the shortfall in personal accounts and other savings and investments facing many baby boomers will be covered by delaying retirement and extending work lives. The average retirement age has risen over the last ten years and surveys indicate that many baby boomers intend to work, mostly on a part-time basis, beyond age 65. Schulz and Binstock do not, however, find much evidence to believe that a much higher percentage of the baby boomers than their parents will continue to work much beyond the conventional retirement age (now averaging 63 for men and 62 for women) even as the Social Security eligibility age for full benefits rises over the next 20 years to a maximum of 67 (as currently legislated). There is little evidence to support the much hyped notion that there will be big labor shortages in the future that will create unprecedented job opportunities for older workers, or that most employers will reverse their current discriminatory behavior and begin to (re)train and hire older workers in large numbers, however productive many of them are. Nor is it certain that many of the baby boomers will be any less attracted to the benefits of retirement than their predecessors. Of course, many low-income baby boomers with scarce savings and “Wal-Mart” pension plans will need to work. But the kinds of jobs available are not likely to be the kind they would choose if they had sufficient retirement income. Schulz and Binstock conclude their chapter on work and retirement by noting that if economic growth continues at the same level in the future as for the past 100+ years, we will have the resources to support more (not less) leisure among more retirees than we do today, depending on how those increased resources are distributed and used.

Like many other social issues, income distribution between “rich and poor” is at the heart of the matter. Inequality has risen to a point that almost half of total income in the United States goes to the wealthiest 10 percent of the population. The very large tax cuts of recent years favoring upper income individuals constrain many government policy decisions. They prevent reforms that would use the income from future growth...
in support of collective social programs or more leisure for the majority. (p. 170)

This is the authors’ first direct reference to the effects of neoliberal (conservative) economic policies implemented over the last 30 years and their implications for the standard of living and quality of life of future retirees. Their analysis of the great pension shift from DB to DC plans is clearly informed by an understanding of the neoliberal threat to the future of retirement security as corporate elites work to enhance profits and shareholder value by reducing pension costs and shifting pension risks to employees. This quote, however, explicitly indicates what I think is at stake in the neoliberal strategy of what David Harvey (2006) calls “accumulation by dispossession” in this case of accumulation through dispossession of retirement benefits and a fair allocation of gains in productivity to workers.

Health and Aging

Schulz and Binstock begin their discussion of health and aging issues with a fine overview of long-term care and the chronic health care needs of many older persons, especially those suffering from dementia, which is probably the single greatest health related threat to our desire for a rewarding old age. Long-term care does not receive nearly as much media attention as Medicare, which is often treated by pundits as the major source of huge increases in health care costs. For many older people and their families, however, long-term care costs, which are not covered by Medicare or Medicaid, except for the poor, represent a greater threat to their retirement security than any other source of economic risk.

Long-term care is set to become an increasingly difficult challenge for individuals and society as a whole with the doubling of the 65+ population by 2040 and the growing gap between the need for, and availability of, informal and paid caregivers. We are probably ten years away from long-term care becoming a major political issue comparable to the status it has already achieved in many other developed countries. Schulz and Binstock note that most of these countries are moving toward covering long-term care as a universal entitlement under some form of social insurance. Although the authors do not explicitly endorse this approach to funding long-term care in the United States, they agree that private insurance and individual savings are not likely to solve the long-term care cost problem. For my own part, I am not sure why long-term care cannot best be addressed by including it as a benefit under Medicare.

The authors provide a highly sensible and critical overview of anti-aging medicine, much of which seems designed to exploit our fear of aging, and does not have much of a scientific basis. They do seem to think, however, that scientific advances over the next several decades may add significantly to human longevity, which would raise a number of ethical issues we are not at this point well prepared to address. They make short work of the concept of old-age-based health care rationing by showing that it cannot be done in either a technically or ethically defensible fashion and that care in the last year of life, especially for the oldest old (those 85+), just does not cost that much anyway.

They don’t spend much time on Medicare, which is already receiving a lot of attention elsewhere. They do, however, address the most important aspects of the debate over the future of Medicare, including the fact that it is as important as Social Security in making retirement affordable for most retirees; but growing out-of-pocket costs, due to rising premiums, copayments, and deductibles, are making health care too expensive for an increasing number of beneficiaries. They also point out that Medicare is less expensive than private insurance, mainly because of much lower administrative costs, and that current efforts to privatize the program, including several provisions in the Medicare Modernization Act of 2003, are likely to increase the costs of Medicare for both taxpayers and beneficiaries.

A Gerontocracy?

In their chapter on the politics of aging, the authors use voting data, which Bob Binstock has been tracking and analyzing with fresh insight for decades, to show that we have little reason to fear that growth in the number of older voters will lead to a gerontocracy. Those ages 65 and older vote at a higher rate, but not much differently than other age groups. They are just as divided by race, class, gender, and other identities as younger voters, with the same kind of conflicting values and interests. Some aging interest groups, especially AARP on Social Security and Medicare, and the Alzheimer’s Association on dementia research, have been influential on selected issues, but older voters have not gravitated in disproportionate numbers to either of the major political parties nor exercised sustained disproportionate influence in U.S. politics, when compared to younger voters, especially those ages 35 to 55, the largest group of voters by age. Schulz and Binstock think this could change if Social Security and Medicare were to be seriously threatened. If these programs, however, were to face serious jeopardy, it is just as likely that younger voters, given survey data showing strong support for them across all age groups, would be as galvanized as older voters.

Framing the Issues

In their final chapter, “Framing the Issues For an Aging Nation,” Schulz and Binstock summarize what we have achieved since the 1930s in the construction of an extensive system of retirement security that has qualitatively improved the quality of life of our older citizens. They also summarize the nature of the threat to this achievement that is inherent in the merchants of doom’s misleading attacks on the pillars of the retirement system and their push to privatize them. They recognize that rising health care costs represent the greatest threat to the economic security of older people and major initiatives should be taken to contain
costs in the Medicare program and beneficiary out-of-pocket expenses. Congress and the Centers for Medicare and Medicaid Services should support strategies designed to achieve a more uniform use of resources at the lower end in health care markets across the country and to make the care provided more evidence based and efficiently delivered through the widespread adoption of pay-for-performance programs. These strategies, however, will not be enough to contain costs at optimal levels in the absence of broader initiatives involving the entire U.S. health care system and in the face of a continuing surge in technological innovations in the health arena that most of us probably consider to be worth the cost. They would, however, help make Medicare more efficient, improve outcomes of care, and provide policy models for the private insurance market as Medicare has done on several occasions since 1970. They are also infinitely preferable to the conservative efforts to break up Medicare and destroy what Schulz and Binstock characterize as our "only national health insurance risk pool that covers well and sick alike" (p. 235). They observe that:

As an alternative, they [the merchants of doom] promote the creation of so-called "competitive" private health plans with smaller and smaller risk pools, managed by companies that have no financial incentive to serve the sickest people. If that were not bad enough, a growing number of these reformers talk about the need to deny to the oldest among us many of the advances of modern American medicine. (p. 235)

Schulz and Binstock have done a convincing job in this highly readable manual for action against the merchants of doom of showing how the conservative effort to dismantle Social Security and Medicare through privatization is designed to convert public policy challenges into personal problems and return us to an era before (quoting Hacker) "Social insurance . . . transformed the dislocations of modern capitalism into risks that could be managed and redistributed, rather than blows of fate that could only be feared and suffered" (p. 228).

The New Risk Society

This quotation from Jacob Hacker is an apt segue to a discussion of his new book, The Great Risk Shift, which is a comprehensive defense of social insurance and a set of ambitious proposals to use social insurance strategies to help families manage the risks that have emerged with the neoliberal economy of the last 30 years. For Hacker, the social insurance programs of the western welfare states represent civilizational achievements that should not only be fiercely defended, but extended through policies designed to protect individuals and families and enhance the potential for continuing economic growth.

The mix of public and tax-subsidized private welfare programs that emerged from the depression and were largely completed in the 1960s (Medicare and Medicaid) and early 1970s (Social Security COLAs) have been reasonably effective in protecting individuals and families against the risks of unemployment, disability, widowhood, and poverty in old age. The social fabric that these institutions of common welfare helped stitch together, however, has begun to unravel under pressure from changes in the domestic and global economies and right-wing attacks on the social welfare state.

Over the last generation, we have witnessed a massive transfer of economic risk from broad structures of insurance, including those sponsored by the corporate sector as well as by government, onto the fragile balance sheets of American families. This transformation, which I call the "Great Risk Shift," is the defining feature of the contemporary American economy—as important as the shift from agriculture to industry a century ago. It has fundamentally reshaped Americans' relationships to their government, their employers, and each other. (p. 5–6)

Hacker does not think that this transformation is a natural occurrence beyond human control. In his view:

The next stage in The Great Risk Shift is the personal responsibility campaign by conservatives to privatize Social Security and Medicare by diverting public resources to Wall Street, the HMOs and insurance firms. If this campaign were to succeed, it would accelerate the growing economic insecurity of American families caused by increasing inequality, unstable employment, and the declining availability of secure pensions and health care benefits in the tax-subsidized mini-welfare states of the private sector. (p. 6)

The new economic insecurity is evident in the increasing number of bankruptcies (from 290,000 in 1978 to over 2 million in 2004); the five-fold increase in home foreclosures in 25 years; the increasing number of people without health insurance (47 million today); the declining percentage of workers with private pensions; and the rapid growth of DC plans among those with pensions. The increasing rate of fluctuation in family incomes, rising debt levels, declining savings, and the slowing of social mobility continues as the relentless growth in income and asset inequality widens the gap between rich corporate and professional elites and everybody else. These trends have increased economic insecurity across the broad middle class regardless of educational attainment. College graduates are now experiencing much more fluctuation and stagnation in their incomes and loss of pension and health care benefits than they did 30 years ago. In short, middle class families are facing far more economic risks today with little more income and asset wealth than they had in the 1970s, even though economic growth has averaged about 3 percent annually since 1980.

Some of this increased risk is generated by the fact that income instability has increased enormously (three- to five-fold increase depending on the year) since the 1970s and the chance that a family will experience a 50 percent or greater chop in income increased from 7 percent in 1970 to 17 percent in 2002. These wide swings in income tend to wipe out savings, drive up debt, and make it increasingly difficult for
people to invest in their economic futures by going back to school or participating in training programs. American families, of course, are dealing with a lot more than income instability. They have to use their stagnant or declining incomes to cover the steadily increasing costs of housing, education and health care. This increasingly oppressive, risk-laden economic reality for most Americans does not concern the crusaders for greater personal responsibility much more than it does Schulz and Binstock’s merchants of doom. They are, after all, more or less the same group of conservative policy entrepreneurs and media pundits supported by corporate-funded foundations whose job is to make the case for putting increasingly more middle class “skin in the game” through health savings accounts (HSAs), defined contribution pension plans, and the privatization of Medicare and Social Security. Much of their rationale for this ideology of greater personal responsibility is drawn from neoliberal economic theory of mainstream American economics and Mark Pauly’s (1968) concept of “moral hazard,” especially as it applies to health care insurance.

Pauly’s notion is that at some hard to locate point, health insurance becomes too comprehensive and too affordable and leads to excessive, wasteful use of health care resources and that out-of-pocket costs (skin the game) should be high enough to make consumers prudent purchasers. There is not much, if any, empirical support for this concept in the realm of actual health-care-seeking behavior. But it has become a major ideological underpinning for those who proclaim that risk, and more of it, is actually good for individuals, families, and the economy as a whole, and that collective efforts to insure against individual risks are profound threats to economic growth.

One wonders how much actual risk these advocates of unfettered personal responsibility bear in their own lives and in comparison with the average American family. I imagine that more than a fair number might be considered “chicken hawks” of domestic welfare policy, calling for the exposure of more middle-class skin, while remaining fully covered themselves. It is interesting that one of the most prominent “skin in the game,” anti-welfare enthusiasts, Charles Murray (2006), has changed his message in his recent book and is now recommending that every adult receive $10,000 annually in exchange for the elimination of all other private and public insurance programs. This may not be a very workable strategy, but it is far from Murray’s past rejection of all welfare provisions and represents a major adjustment to the reality of unavoidable risk in the lives of most people.

**Employment Risk**

In his analysis of the multidimensional nature of contemporary risk, Hacker begins with what he calls risky jobs. He notes that the U.S. economy is now characterized by high job loss rates (12 percent annually in 2003) even while there are only moderate rates of unemployment. Job loss is now common in occupations requiring a college degree, which may be an increasingly necessary condition for economic security, but is no longer a sufficient condition.

Families in the middle of the economic ladder are headed by workers much better educated than their counterparts of thirty years ago, yet these families’ incomes are not similarly higher. This surprising reality is most easily seen if we concentrate on workers just starting out in the labor market—today and in the past. Between 1975 and 2002, the earnings of young male workers with just a high school diploma declined by 15 percent, while the earnings of those who had gone to college but not received a degree declined by about 10 percent. (The earnings of young women at all education levels have risen but mostly because of increased work hours.) Male college-educated workers’ earnings have risen over the same twenty-seven-year period, but by a modest 10 percent—a third of a percent a year. (p. 74)

Hacker also notes that educated workers may be more negatively affected by job loss than less educated workers.

A decade ago, during the mid-1990s expansion, workers with a college degree or higher suffered an earnings loss of less than 5 percent when they found another full-time job after being displaced from full-time employment. During the 2001–03 period, the earnings loss was an astounding 20 percent—almost twice the loss experienced by workers with less than a high school education. (p. 72)

Declining job security is caused by several factors including what appears to be the accelerating rate of outsourcing, which is rapidly reaching into the ranks of highly qualified service workers and may eventually deliver a greater shock to the U.S. economy than the offshoring of manufacturing jobs. Cohen and Delong (2005) argue that the availability of good jobs (well paying and secure) is threatened by the growth of a relatively low-pay service sector (Wal-Mart) and the decline of much better paying jobs in the manufacturing sector (Ford and General Motors). The decline in the percentage of good jobs and stagnant wages across the labor market is forcing people to work longer hours to maintain their incomes. At the same time unemployment insurance covers a declining percentage of those out of work. (Hacker, p. 78)

**Family Income Risk**

In his chapter on risky families, Hacker addresses many of the same issues as Warren and Tyagi (2003) in their important book, *The Two Income Trap*. He notes, for example, the enormous increase in two earner families (from 35 percent to 65 percent) since the 1970s, as wives have gone to work to help pay family expenses. As Warren and Tyagi describe in detail, this trend has been driven by necessity, not choice. Just how necessary is evident in the fact that single-earner families actually had more disposable income than two earner families today as workers struggle to pay for housing, education, and health care with stagnant
or declining incomes and little public support. Hacker emphasizes that this lack of support is peculiarly American among developed nations:

...U.S. public policy treats families almost entirely as a personal responsibility, rather than a social priority. Among fourteen rich Western democracies, the United States ranks dead last in supporting mothers with children younger than six. More than 160 nations in the world offer paid family leave. The United States does not, making it the only rich nation besides Australia (which guarantees all women a year of unpaid leave) without such a policy. (p. 90)

In this economic incubus, children often represent a threat to the economic well-being of families as each additional child drives up the long-term cost of virtually everything. It also forces families to take on increasing levels of debt, including one or more mortgages on homes in which their equity has fallen from 68 percent in 1973 to 55 percent in 2004, and rising credit card debt, which has risen 50 percent since 1989. In 2001, married couples with children were twice as likely to file for bankruptcy as single adults or childless couples and are more likely to lose their homes and are more likely to be behind in their credit card payments. The family which used to be “a refuge” from risk has become the epicenter of risk; or, to borrow a passage from Christopher Lasch (1977), a haven under siege in an increasingly heartless world—no nation can thrive for very long while forcing individuals to choose between economic security and having a family and children.

Hacker’s discussion of risky retirement covers much of the same ground as Schulz and Binstock, beginning with a critical assessment of the shift from defined benefit to defined contribution pension plans, which represent a qualitative increase in retirement risk for ordinary workers. Traditional DB plans are not only less risky in that they are mandatory (forced savings), professionally managed under statutorily defined rules, and pool risks to retirement and shift them to employees, they also earn returns that exceed those of DC plans, 401(k)s, by 1 percent annually (p. 113). The personal responsibility crusade, however, has had its greatest success here as the vast majority of private pensions are now DC plans. Personal responsibility crusaders like Stuart Butler of the Heritage Foundation see this success as a prelude to the conversion of Social Security into a personal account DC plan, a principal building block of President Bush’s “ownership society.”

Hacker presents a range of data showing that the rapid spread of DC plans over the last 25 years has not increased retirement wealth (savings and investments), which is an essential part of the justification for using them to replace DB plans. He summarizes these data as follows:

When all the gains and losses are added up, the median family approaching retirement—that is, the family exactly in the middle of the retirement wealth distribution—ended in the 1990s with 11 percent less in retirement wealth than the median family had in 1983. And the story gets worse. The proportion of near-retirement families that are likely to live on less than half of their prior income in retirement increased substantially between 1989 and 1998—from less than 30 percent to more than 40 percent. In other words, more than two out of five families nearing retirement are likely to be living on less than half of what they are living on now—a sharp increase in less than a decade. (p. 122)

The dominance of DC plans among private pensions probably makes the preservation and strengthening of the Social Security program an even more important political priority now than it was 25 years ago and the well-funded effort to privatize the program a greater threat, given what is at stake, than at any time in the last several decades. There is something perverse in the notion that we should convert our publicly funded retirement income program into a DC plan at a time when the vast majority of private plans are now DC plans. This would mean making virtually our entire system of retirement security dependent on the performance of the equities and bond markets, which would increase the risk of a substantially lower standard of living for future retirees.

Health Care Risk

Hacker’s chapter on risky health care describes the growing trends of increasing costs and declining insurance coverage. He critically assesses the ideologically driven notion that health care should be more market-based, despite the fact that the increasing control of health care by for-profit corporations in a relentlessly pursuit of shareholder value and management wealth is a major reason that U.S. health care is so much more expensive and less cost-effective than health care in other developed countries.

The bi-partisan consensus on Medicare and Medicaid policy and the use of incentives and subsidies to extend conventional coverage to all or most of the uninsured has come to an end in the last few years with the emergence of the consumer-driven, health savings account (HSA) initiative supported by the Bush Administration and the Republican Congressional leadership. HSAs, as noted by Schulz and Binstock, are fundamentally a strategy to dismantle the broad risk pools, which are essential to keeping health care affordable for the medically vulnerable and less affluent and to make individuals responsible for acquiring their own high deductible insurance plans. HSAs are a centerpiece of the personal responsibility campaign crusaders who are committed to converting Medicare into a premium support program which would allow insurance companies to sell HSAs to beneficiaries on an extensive basis. A premium support program and HSAs would also expose beneficiaries to greater out-of-pocket costs and reduced access to care, which is already a serious and growing risk for many middle- and low-income beneficiaries facing out-of-pocket costs that exceed 30 percent of their disposable income. The average beneficiary now spends over $3,500 annually.
out-of-pocket for health care, which is 22 percent of their income.

Health care costs are steadily eroding the economic security of increasingly more Americans and HSAs are likely to make this erosion worse by destroying risk pools. In his analysis of data from the Medical Expenditures Panel Survey, Hacker found that:

In 2003, according to my own analysis of data from the Medical Expenditure Panel Survey, nearly 40 percent of Americans had medical expenses (covered by insurance or not) that exceeded 10 percent of family income, a third had expenses that were larger than 20 percent, and more than a tenth had expenses that exceeded their entire income. There is simply no way that families can finance expenses like this on their own. Insurance, like basic health care, is not optional. (p. 142)

Hacker thinks that these severe shortcomings in our health care system are far more remediable through an expansion of an improved Medicare program to the uninsured population (with comprehensive coverage and a cap on out-of-pocket spending) rather than relying on the failed market-based strategies advocated by the crusaders for greater personal responsibility crusaders.

Making Medicare available to all Americans without workplace insurance would, in a single stroke, help Medicare and broaden health security. Though requiring new financing up front, this solution would actually lessen Medicare’s long-term cost problem because it would make program spending less sensitive to the demographic distribution of the population. By increasing the share of health spending financed by Medicare, it would also give the government greater leverage to control costs. (p. 162)

An Alternative Policy Agenda

I think Hacker is right to suggest that a strategy to strengthen and extend Medicare to the younger population can anchor a campaign against the personal responsibility crusaders, the merchants of doom, and the whole neoliberal agenda to dismantle the public sector and make the market the final arbiter of everyone’s social and economic well-being. Medicare is very popular and few consider it to be a government program, single-payer program, given its hybrid, public-private design. This Medicare centered, anti-personal responsibility campaign should begin soon, however, with a congressional initiative to remove the privatization provisions of the Medicare Modernization Act, before CMS has a chance to implement them fully. Even though President Bush would veto these changes, their passage would greatly help change the nature of the debate over the future of Medicare and set the stage for Hacker’s proposal to strengthen the program and begin extending it to an increasingly larger proportion of the younger population. One can imagine this kind of Medicare-Plus strategy evolving into a successful Medicare for all initiative over the next ten years. On the other hand, if this kind of initiative is not undertaken soon, the now ten-year-old attack on Medicare by conservative politicians and pundits, and their corporate health care supporters, may well be able to reduce Medicare to nothing more than another source of massive public funding for proprietary HMOs, insurance, and pharmaceutical companies, with beneficiaries and their families absorbing an increasingly greater share of the costs.

Hacker would secure retirement for the next generation of retirees by replacing the current welter of tax breaks supporting the array of largely inadequate defined contribution plans with a single universal savings accounts designed to be most generous for middle- and low-income workers who would be eligible for tax credits to shore up their retirement savings. The primary objective of Hacker’s universal savings account proposal is to “bring something close to a guaranteed private pension, with government, rather than employees, pooling the risk” (p. 186). The first priority, however, is to preserve and strengthen Social Security through the same initiatives recommended by Schulz and Binstock and Robert Ball, including a greater reliance on asset wealth taxes.

Hacker’s final recommendation for how we should address the rising economic risks confronting an increasing number of Americans is to create a “universal insurance” program that: “... covers all working Americans, that moves seamlessly from job to job and state to state, and that deals with the most severe risks to family finances, regardless of whether they fit neatly into existing program categories (p. 190–191).” Hacker does not describe how universal insurance would be paid for or administered, but he does clearly indicate what it should be designed to achieve in terms of individual and family economic security and economic growth. Universal insurance would:

... provide workers and families with the basic foundation of economic security that they need to look toward the future with confidence and invest in their own economic advancement. Just as the right kinds of economic protections for investors and entrepreneurs are the key to business development, the right kinds of protections for workers and their families are the key to encouraging economic opportunity. (p. 191)

Concluding Thoughts

The emergence of the neoliberal (conservative) school of economics and its associated social policy agenda has forced liberal supporters of the capitalist welfare state into a defensive posture for almost 30 years. The political successes of neoliberalism during this period, which are, at this point, far from complete, cannot be justified by either the empirical economic record or by moral reasoning. Relatively successful efforts of policy makers and corporate elites to implement the neoliberal policies of privatization, deregulation, tax reduction (especially on high incomes and capital), and of scaling back the public sector and reducing social and health expenditures have not spurred economic growth. In fact, economic growth across the world for the 25 years has fallen well short of the growth rates achieved during the 30 years after WWII. These policies have also contributed to the
development of worrisome tendencies in both the domestic and global economies as finance (the paper economy) has increasingly replaced manufacturing (the real economy of production) as the mainstay of the U.S. economy, which is now largely driven by the generation and management of huge amounts of public and private debt.

Neoliberal theory and ideological claims are now being used by the whole apparatus of right wing foundations and think tanks to erode support for publicly funded retirement programs (Social Security and Medicare) and force workers to pay for their own retirement through individual earnings, savings, and investments. There is little evidence that the vast majority of current workers have the capacity to pay for or "own" their own retirement and considerable evidence that privatizing Social Security and Medicare would lower the standard of living among future retirees. These empirical realities, however, will not dampen the neoliberal attack on the current system of publicly supported retirement, which they claim has created generations of dependence on the public sector and perverted the natural order of society by making retirement security a collective endeavor. They are dedicated to making the financing of retirement a matter of individual responsibility and decision-making in a largely unrestrained market which restores the natural order of efficiently allocated resources and individual rewards.

Among the greatest public policy gains of the post-war period were the creation of public pensions like Social Security, privately funded defined benefit pensions, and publicly funded health care benefits. All of these gains were products of a class compromise that gave a growing share of economic growth to workers and made retirement security a historically unprecedented reality for a majority of those living in the developed world. This system of publicly funded retirement security is still fundamentally intact. The dismantling of this system, however, is now a top priority of the corporate sponsors of the neoliberal agenda who are prepared to use the tools of accumulation by dispossession, primarily privatization and tax cuts, to greatly reduce public funding of pensions and health care and force workers to pay for their own retirement from wages that have remained stagnant for 30 years and from savings that have become increasingly meager.

Scholars, public intellectuals, and political activists committed to ensuring the economic security of workers, retirees, and their families will find these two books extremely helpful. They are passionately hopeful books with more than enough ideas to build an alternative agenda to the neoliberal effort to dismantle publicly funded economic security programs. Achieving these initiatives would ensure retirement security for future retirees and help protect the resources of low-to-moderate-income families of all age groups. Achieving them, however, is fundamentally dependent on restoring the solvency of federal finances by undoing the tax cuts of the last five years and preventing the elimination of the estate tax. Public polls indicate that most Americans would support efforts to enhance retirement security through increased federal revenue and expenditures, especially for Social Security and Medicare. In order for this support to be given effective electoral expression, however, political organizations and leaders must be willing to present the public with a coherent package of progressive policies of the kind offered by Schulz and Binstock, and Hacker.

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