

**COMMENTS ON THE 50TH ANNIVERSARY CELEBRATION OF
THE SPECIAL COMMITTEE ON AGING**

A TALE OF FOUR GENERATIONS

by
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Mr. Chairman, Ranking Member, Senator Corker, Members of the Committee:

It is a pleasure and an honor to be able to share in this celebration with you today. This committee has observed, influenced, and helped to shape a transformation in the whole meaning of growing old in the United States—a change for the better. A scrim of forgetfulness shields us from the rather ugly reality of growing old in the America of just a few generations past. Let us draw back that curtain to examine what growing old meant for the generations born in 1860, 1890, 1930, and 1960. And let us also consider what aging will hold for younger Americans.

The 1860 cohort was born in a nation that still treated slavery as a constitutional right. A quarter of those born in 1860 died before turning age 20, half before reaching age 65. Living conditions and public sanitation were appalling by today's standards: few houses had indoor plumbing, and few cities had municipal water and sewer systems. Surgery was uncommon and dangerous because surgical technique was primitive and anesthesia was dangerous. Inoculations were uncommon. Childhood diseases winnowed the young. Pneumonia was known as the 'widow's friend.'

By current standards, the 1860 cohort was a nation of educational dropouts, although the United States led the world in mass education. Out of every hundred students who started primary school, seventy finished, twelve completed high school, and three graduated from college. Economic growth was rapid but uneven. The U.S. economy underwent thirteen economic contractions between 1885 and 1925. Many were catastrophic by modern standards.

Women gave birth to an average of more than five children. The backbreaking job of caring for children, husbands, brothers, sisters, and parents in a world without washing machines, vacuum cleaners, refrigerators, or dishwashers was borne, typically by women, until death and lightened only as family members died or moved away. Once married, few white women worked outside the home. Those who worked for pay almost invariably performed menial tasks. Many women, especially African American women, were domestics. Old age was not a passage to a 'new mode of living,' but a continuation of what life had been when one was

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young.

Three-quarters of men born in 1860 and still alive at age 65 continued to work for pay until death, disability, or economic catastrophe intervened. Such a catastrophe—the Great Depression—did intervene when the 1860 cohort was sixty-nine years old. By 1932, a quarter of the work force was unemployed. The elderly were more likely than the young to lose their jobs and less likely to find new ones. Protracted unemployment, bank failures, plunging stock prices, and collapsing real-estate values destroyed the savings of those in the middle and working classes who had scrimped and saved for retirement. Private charities were overwhelmed. Public charity dried up as state and municipal tax collections plummeted. Only a few Civil War veterans and their widows received small pensions; otherwise, private pensions were rare.

The first Social Security check was not paid until the 1860 cohort reached age 80, and few were eligible for benefits. For the one-third of the 1860 cohort who survived to their sixty-ninth birthdays, the final years were generally grim.

America's 1890 cohort also lived through boom and bust. World War I ended a recession. With peace came another recession. Unemployment reached 12 percent. The 1920s brought boom, except on the farm. The year 1929 ushered in twelve years that blighted what should have been this cohort's prime earning years. Too old to fight in World War II, the men of the 1890 cohort worked to support their sons at the front. Women left home for the paid labor force. Freed from traditional jobs as secretaries, teachers, social workers, and nurses, they became machinists and assembly-line operatives.

Like its forebears, the 1890 cohort suffered high rates of infant mortality. Although this cohort benefitted from steady, if undramatic, improvements in health and education, more than one-third of 20-year-old women and two-fifths of 20-year-old men did not live to see their sixty-fifth birthdays. Eighty percent of unmarried elderly women and half of unmarried elderly men had been widowed. Four-fifths of this cohort finished primary school. One-fourth graduated from high school, but only one in twenty earned a college degree.

When this cohort reached age sixty-five in the mid-1950s, fewer than half had health insurance. Coverage was often uncertain because insurers could raise premiums sharply or refuse to renew coverage of those whose health had begun to deteriorate. Because health expenses of the elderly were less than one-tenth of what they are today (even when adjusted for inflation), medical outlays were a threat only for the minority who became seriously ill. But in one of the most striking social changes of the late twentieth century, a spell in a nursing home became common. By the late 1970s, roughly a quarter of the 1890 cohort survivors were residing in nursing homes.

Congress passed the Social Security Act of 1935, subsequently increasing benefits and

extending coverage in 1939 and again in 1950. Because of these liberalizations, members of the 1890 cohort received benefits far greater than the earmarked payroll taxes they and their employers had paid. Still, benefits were modest—only about 32 percent of taxable earnings of full-time covered workers. And since roughly half of U.S. jobs were not covered until the 1950 legislation broadened coverage, many members of the 1890 cohort did not receive benefits at all. Furthermore, private pensions covered only about a quarter of members of the 1890 cohort. Even workers who were covered typically received meager benefits because most had not worked long enough under these plans to have earned meaningful benefits. With insufficient income to retire, two-thirds of surviving men from the 1890 cohort were still working at age 65, nearly half at age 70, and 30 percent at age 75. More than one-third had incomes below official poverty thresholds.

The 2.6 million American children born in 1930 enjoyed advantages unavailable to previous generations. Nearly all finished primary school. Seven in ten graduated from high school. Partly because of the G.I. Bill for Korean War veterans, one man in five and one woman in nine graduated from college. Women no longer automatically withdrew from the labor force after marriage. Those who did often reentered when still young. Just over one-third worked outside the home when they were age 30, but three-fifths did at age 50, and two-fifths still worked for pay at age 60.

If the educational achievements of the 1930 cohort were striking, the economic advances were breathtaking. Between the end of World War II and the mid-1970s, output per person more than doubled. At the start of their working lives, members of the 1930 cohort earned hourly wages three times higher than members of the 1890 cohort had earned in their first jobs. By the time the 1930 cohort turned age 65, their average earnings had risen by another one-third.

Post–World War II recessions, though numerous, were shallow during the 20th century compared with the economic paroxysms of earlier eras. Furthermore, unemployment compensation, also created by the Social Security Act of 1935, cushioned the shock for those who did lose jobs—for up to six months in normal times and even longer during recessions. Higher incomes, medical advances, and improved working conditions combined to boost life expectancy for the 1930 cohort. Two-thirds of men and over three-quarters of women born in 1930 lived to celebrate their sixty-½th birthdays. Four-fifths of 65-year-old men and three-fifths of 65-year-old women still lived with a spouse.

As they approached retirement age in the mid-1990s, members of the 1930 cohort had options and resources few of their parents had enjoyed. Most had assets that provided substantial financial security. Social Security benefits, averaging \$8,500 a year for individuals

and \$12,000 for couples, were fully protected against erosion by inflation. One-third of the 1930 cohort received private pensions, although the amounts were modest—a median of less than \$7,000 a year. Further, more than four in five members of the 1930 cohort owned their own homes at retirement. Most had benefitted from the postwar real-estate boom that tripled the real value of owner-occupied housing between 1950 and 1995. The 1930 cohort also had better protection against medical costs than ever before. Medicare, enacted in 1965, provided basic health insurance coverage for the elderly and the disabled while eight in ten also had supplementary coverage. Increasingly workers retired years before they died. One-third of men in the 1930 cohort stopped working before age 62, two-thirds before age 65. Average living standards approximated those of younger adults. Averages, however, concealed large disparities: only 4.3 percent of elderly couples were poor in 1996, compared to 18 percent of elderly single men, 20 percent of elderly single women, and 36 percent of elderly single African-American women. Whatever the future holds for the final years of the 1930 cohort, its circumstances represent a revolutionary improvement over the experiences of their predecessors.

America's 1960 cohort was better educated than any of its forebears. Only one in eight dropped out of high school. Half attended college and nearly one-fourth earned a bachelor's degree. The fraction of the 1960 cohort with post-baccalaureate education matched the share of the 1860 cohort who had completed high school. But not all advanced at the same pace. African Americans were only two-thirds as likely as whites to earn a college degree, and barely half of Hispanics completed high school. Even if the earnings of men with little education grew more slowly than their parents' pay had, the 1960 cohort earned more on their first jobs than their parents had three decades earlier. The jobs filled by members of the 1960 cohort also required less brawn and more brain than had jobs in the past. Three-fifths of men and 90 percent of women in the 1960 cohort worked in white-collar or service-sector jobs. Still, roughly one-quarter of men and a small but growing fraction of women worked as craftsmen, mechanics, miners, machine operators, laborers, truck drivers, or in other physically strenuous jobs that become increasingly difficult to perform as one ages. Women were better educated, worked more hours, stayed in the labor force with fewer interruptions, and earned much more than women had previously. As a result, more will be entitled to their own private pensions and to Social Security based on their earnings rather than their husbands'.

Members of the 1960 cohort told pollsters that they hoped to retire earlier than have past generations. Despite these stated intentions, however, men began to retire later, starting in the mid-1990s and this trend has continued. One reason may have been that they had not done enough to prepare economically for retirement. By 2000, only 31 percent of those born between 1954 and 1964 had nonhousing assets worth more than \$100,000, and 49 percent had

accumulated less than \$50,000, a sum that would support an annuity of less than \$4,000 a year. In their failure to save, the 1960 cohort differ little from their forebears, who began to save, if at all, only in their forties and fifties. For a long time, it looked like members of the 1960 cohort would have more sizeable pensions than previous generations. But that hope was undercut by the drop in stock-market values and the loss of equity in owner-occupied houses in the last decade. Furthermore, there is no way for anyone of any age to convert liquid assets into annuities fully protected against inflation and market risks, in the same way that Social Security benefits are protected. And Social Security benefits are in process of being lowered relative to earnings, a delayed effect of amendments enacted in 1983. For that reason, more than previous cohorts, members of the 1960 cohort will also confront the possibility that they will outlive their assets. One-fifth of men who reach age 65 are projected to be alive at age 90, and half of women alive at age 65 are expected to live past their eighty-seventh birthdays.

The prospects for younger age cohorts are more troubling. The past record of more-or-less continuous growth of income and improvement in educational achievement is in jeopardy. Earnings of men have fallen for about four decades. High-school completion rates are falling. Male college attendance and completion rates are falling. An encouraging bright spot is the continued increase in female college attendance and completion rates. More women than men now hold college degrees and the gap is widening—in part because female attendance rates continue to rise, but also because male attendance rates are stagnant or falling.

An additional source of concern is the projected increase in the budgetary cost of Medicare. These rising costs have led to proposals to replace the defined benefits provided by those programs with cash vouchers tied to indexes that have grown less rapidly than health care costs. The combination of stagnant wages, reduced replacement rates under Social Security, increased financial market volatility, and the threat that health care costs will be shifted to the elderly raise serious concerns about the financial security of the elderly. For a variety of reasons—private calculations and shifts in public policy—workers are likely to elect to work until older ages in the future than in the past. This trend will simultaneously lighten the burden of supporting a growing elderly population and boost national output.

Furthermore, there is no sign that scientific advance is ending. Progress in medical science, in particular, holds out the promise that people will live to longer, function well until older ages, and die with less pain than in the past. Outside medicine, advances in technology hold the promise of higher incomes. In brief, we hold in our own hands the capacity to do for our children and grandchildren what our forebears did for us—promote improved education, prevent illness from becoming financial calamity, encourage hard work, and recognize that the improving living standards and security that each of us seeks requires not only individual effort but also collective cooperation and mutual support.