THE GENERATIONAL EQUITY DEBATE

JOHN B. WILLIAMSON, DIANE M. WATTS-RAY, AND ERIC R. KINGSON

Two major groups, or “advocacy networks,” to use a more precise term suggested by Gamson and Stuart (1992), have been competing to frame the debate over public policy toward the elderly. Since the mid-1980s this debate has been referred to as the “generational equity” debate, a designation that reflects both a symbolic victory and a rhetorical advantage for one of the two major advocacy networks and its interpretive package. The term “generational equity” has come to designate a number of assumptions, arguments, values, and beliefs associated with the more conservative of the two competing interpretive packages. Those making up the more liberal advocacy network are less unified behind a single catch phrase to designate their alternative interpretive package with its set of assumptions, arguments, values, and beliefs on this issue; but they often use terms such as “intragenerational equity” and “generational interdependence” (Kingson et al. 1986). In the sections that follow, we briefly summarize the major arguments that have been made by advocates of these two interpretive packages, beginning with the generational equity framing.

The Generational Equity Frame

Advocates for the generational equity interpretive package argue that Social Security and Medicare policy makers need to give more attention than they have been giving to the issue of fairness between generations (Longman 1987; Peterson 1996). Too much public money is being spent on the retired elderly at the expense of the rest of the population, particularly children and young adults. This is doubly unfair because those paying for the very generous Social Security and Medicare benefits enjoyed by today’s elderly will not receive comparable benefits when they retire.

The retirement of the baby boom generation is going to put a very heavy burden on the Social Security and Medicare programs because there will be so few workers paying into the trust funds that support these programs relative to the number of retired workers who will be drawing benefits. One consequence of this burden is that it will not be possible to support the retired baby boomers at benefit levels enjoyed by those who are currently retired.

Current recipients of Social Security are consuming more than their fair share of societal resources. As a group, in recent decades their financial situation has improved considerably while at the same time the financial situation of children has declined dramatically. Poverty rates among the elderly have decreased while at the same time poverty rates among children have increased sharply. Over the years federal spending on the elderly has increased considerably; today such spending makes up more than 25 percent of the federal budget. Were we not spending so much on the elderly it would be possible to spend more on children and young adults, a policy that would help alleviate the unacceptably high poverty rates for children.

Advocates for the generational equity interpretive package are committed to the idea that each generation should be expected to provide for itself. It is not fair for one generation to be expected to provide for another generation at a level that the generation providing the support is itself unlikely to realize. The structure of a pay-as-you-go, social insurance-based Social Security scheme assumes that each generation will provide support to those currently retired and will in turn be supported by a younger generation when it moves into retirement. A privatized Social Security scheme, in contrast, is more consistent with the idea that each generation should be responsible for itself.

Generational equity advocates often point out that the elderly constitute a very strong voting bloc. They, and interest groups such as the AARP that represent them, have a great deal of influence on public policy. The elderly and their interest groups often use their political clout in selfish ways to support programs that benefit themselves to the exclusion of others. One example that is sometimes mentioned is voting down school bond issues in some communities. More common is their lack of support for politicians who suggest serious cuts in Social Security or Medicare as a way to balance the federal budget.

If we are going to be able to provide for baby boomers when they retire without putting a very heavy burden on those in the labor force at the time, we need to do all we can between now and then to grow the economy. The more economic growth we have between now and then, the larger the economic pie will be and the easier it will be to support a large retired population. To do this we need to increase the savings rate, which will increase the investment rate, which in turn will increase the rate of economic growth. To increase the savings rate we need cuts in current consumption, including a variety of government social programs. We also need new policy initiatives such as a shift to a partially privatized Social Security scheme.

As a society we need less emphasis on an entitlement ethic and more emphasis on a work ethic. We need to emphasize such values as thrift, self-reliance, independence, personal freedom, and limited government. In short, advocates for the generational equity interpretive package make it a point to link their arguments to the widely and deeply held values in American society that define individualism.

The Generational Interdependence Frame

Advocates for the generational interdependence interpretive package argue that Social Security and Medicare policy makers need to take into consideration the interdependence of generations when making and changing policy. They reject the idea that each generation can or should be expected to provide for itself. In part because of demographic fluctuation and in part because of unique historical events such as the Great Depression or the Second World War, it is not possible for each generation to be assured a standard of living during retirement at least equal to that of its parents' generation. When there are demographic, economic, or other factors that make it difficult to provide for the retirement of a particular generation, the burden should be shared by both generations, those who are retired and those still in the labor force. It is unreasonable to expect either generation bear the entire burden in such situations.

Advocates of this perspective point out that sharp cuts in benefits for the retired or the soon to be retired will also have an adverse impact on their adult children. Due to interdependence between generations at the family level, such cuts would produce pressure on their adult children to take in older family members or to supplement their Social Security and Medicare benefits. Whereas the generational equity perspective emphasizes the need for each generation to be responsible for itself, the proponents of the generational interdependence perspective argue that the generations are and should continue to be
highly interdependent. This is true at both the family and the societal level. Advocates of generational interdependence accept the idea that we should be making an effort to plan for the retirement of the boomers, but they emphasize the need to balance considerations of generational equity and of generational interdependence. A distinctive aspect of the generational interdependence perspective is its emphasis on what different generations have to offer one another as opposed to what one is or will be consuming at the expense of the other. More explicitly, it tends to emphasize the many transfers taking place among the generations, within the family and society. At the level of individual families this includes transfers of income, child care support, psychological support, and advice. In 1994, 3.7 million grandchildren were being raised in households headed by grandparents (Saluter 1996); many of the elderly also provide countless hours assisting functionally disabled family members. In addition the elderly are making major artistic, intellectual, and leadership contributions to society more generally.

There is a great deal of diversity in economic circumstances among the elderly. When we base policy decisions on what is best for average-wage workers or for the affluent, we do so at the risk of potential harm to some vulnerable groups such as low-wage workers, minority workers, and the very old, particularly very old women. The mean and median income for the elderly have increased in recent decades, but there are still millions of elderly people living in or very near to poverty. When the elderly are treated as a homogeneous aggregate for policy purposes, as is often the case in policy analysis from the generational equity perspective, the special needs of these vulnerable groups tend to be neglected (Binstock 1992).

There has been an increase in poverty among children in recent decades—the same decades that have seen a decrease in poverty rates among the elderly. Proponents of the intragenerational equity perspective do not view these two events as causally linked. Many factors have contributed to the increases in poverty rates among children, including changes in the American economy, the increase in single-parent families, and changes in public willingness to support public spending on the poor. If the current level of spending on Social Security and Medicare is a contributing factor, a claim that has not been demonstrated, it most likely is a very minor factor.

Proponents of generational interdependence and intragenerational equity argue that we need to take a close look at the values that inform our policy decisions. In contrast to the individualistic values emphasized by proponents of generational equity, proponents of generational interdependence emphasize solidarity values such as community obligation to provide for those in need and the right of all citizens to adequate health care, food, and shelter; and goals such as reduction of poverty and inequity, and income redistribution to compensate for our economy's tendency to increase income inequality.

It is sometimes useful to assess an author's ideas about fairness with respect to the distribution of societal resources. Those working within the generational equity frame tend to emphasize fairness between generations and policies that make an effort to assure that one generation is not favored over another. Some within this same advocacy network favor fairness in the form of individual equity, for example, Social Security pension benefits that are linked as closely as possible to actual payroll tax contributions over the years with very little in the way of redistribution.

In contrast, those working within the generational interdependence frame generally support a different conception of fairness—one that sees a need for redistribution to those who reach old age with very low incomes. This group of analysts and commentators urge us to make an effort to even out some of the inequality our market economy tends to produce among those reaching old age, particularly inequality linked to race, class, and gender. They are also likely to emphasize the need under some circumstances, such as the retirement of the baby boomer generation,
for two generations to attempt to share the dependency burden.

References


