

## Age Before Beauty: Life in an Aging Society

Whoever coined the phrase “age before beauty” must have known that, someday, almost the whole world would be an aging society. Since the phrase is a little mysterious, I’ll rely on the poison-penned author and joker Dorothy Parker to put it in context:

...Mrs. Parker and a snooty debutante were both going in to supper at a party: the debutante made elaborate way, saying sweetly “Age before beauty, Mrs. Parker.” “And pearls before swine,” said Mrs. Parker, sweeping in.<sup>1</sup>

The ageless Parker (who was only 45) meant that the young and beautiful should respect their elders, let them pass through the doorway first, and not seize the advantages that young and beautiful people might be accustomed to. Pearls before swine...well, you figure it out.

### Exhibit 1

Dorothy Rothschild (later Dorothy Parker) as a young woman



Source:

[https://upload.wikimedia.org/wikipedia/commons/2/20/Dorothy\\_Parker\\_LCCN2014685624.jpg](https://upload.wikimedia.org/wikipedia/commons/2/20/Dorothy_Parker_LCCN2014685624.jpg)

Today, a 45-year-old might be counted among the young, and would be well advised to yield to his or her active 75-year-old parent or friend. We are living longer – *much* longer, for in 1893, when Parker was born, the life expectancy for an American

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<sup>1</sup> *The Spectator* of London, September 16, 1938.

woman who reached adulthood was around 62. Today, it's about 82.<sup>2</sup> This profound change has, unsurprisingly, both upsides and downsides.

Here's a lighthearted summary of the up and down sides, from a talk I gave at the Q Group, a discussion group for investment executives:

Exhibit 2  
Young vs. old

YOUNGER	OLDER
More fun	More skilled
Prettier	Wiser
Quick learner	Already knows quite a bit
Can lift heavy objects	Has more money
Better music	Knows some history
Not very savvy – makes peculiar decisions	May not feel well – has greater needs

Source: Constructed by the author

I made that list when rock music had not yet been almost completely replaced by rap, hip-hop, and techno. I'd now push "better music" over to the right side of the diagram. (OK, partly kidding. The best rock music, like the best jazz and much of the best classical music, was composed and performed by the young, even if our past musical heroes now look like dinosaurs. Music, like mathematics, is mostly a young person's game.)

We'll first explore what an aging society will look like and how it can be improved, then discuss some implications for pension and medical costs, the length of one's work life, and the natural tension between the generations that is documented in Richard Dawkins' masterpiece, *The Selfish Gene*.

### **The upside of aging**

Fifty years on, the strikingly attractive hitchhikers in Exhibit 4 in [chapter x, Children](#), probably now look weather-beaten. But they are also wiser, more accomplished, much more knowledgeable, and more deeply invested in the world's future. This is the upside of an aging society.

When the primary work of the world consisted of moving heavy objects from here to there, youthful vigor dominated. Now the primary work is solving tough problems. While the vigor of young brains is still valuable, direction and purpose must come from those with enough life experience to make sensible decisions. Even

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<sup>2</sup> That is, expected age at death, not expected remaining life span. Source: <https://www.infoplease.com/us/mortality/life-expectancy-age-1850-2011>

the tech industry is dominated by entrepreneurs over 45: Bill Gates, the late Steve Jobs, Jeff Bezos, Peter Thiel, Elon Musk. They may have been younger when they started their companies, but they are in their prime in middle age. Mark Zuckerberg and his young friends are the exception, not the rule.

### **...and the downsides**

As with any phenomenon that has an upside there are also downsides. A society with an abundance of old people might be rich in wisdom, but be careful: when wisdom was rare because few people lived to an advanced age, it was prized. (Only an old person could tell the tribe how to avoid famine by growing crops that would survive a twice-in-a-century drought.) Now there are so many old people that wisdom may sell cheap.

Another downside is that, even more than childhood, old age is expensive. Medical costs are the most widely discussed expense, but simply staying alive when one is too old to work – that is, retirement – is a costly proposition. Many people work for 30 or 40 years and, with the proceeds from that work, try to pay for 60 or 80 years of living.<sup>3</sup>

No wonder it's difficult to save for retirement! We weren't meant to operate that way. Throughout most of history, few people lived long enough to experience any leisure at all after their work lives were over, and those who did were cared for by their numerous children. Today, we rely on government, individual savings, and the financial markets to spread the income from one's working life over one's whole life, a new and untested way of functioning.

Finally, a lot of old people, especially the very old whose numbers are increasing fastest, need help of some kind. It is not enough to have money available to purchase that help. The people who can supply the help must be available – they must have been born, and they must live close by. If there is a shortage of younger people able and willing to work as helpers for the old, wages will rise, drawing workers out of other professions; and more people will immigrate.

However, immigration is not a solution if the shortage of younger people is worldwide or nearly so. Since Africa is the only young continent, we can expect much more immigration from Africa into aging regions such as Europe and the United States to fill the needed roles.

### **Ben Wattenberg's vision of an aging world**

What will an aging world look and feel like? We can already get an idea of it by visiting Florida or Japan. In the book *Fewer*, introduced in chapter x, Wattenberg, an

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<sup>3</sup> Starting, say, at age 20. (The first 20 years are the parents' problem.)

optimist by temperament (he once wrote a book called *The Good News is the Bad News is Wrong*), has plenty of social worries:

- “We may well see a lonelier world.”
- “The...psychologist David Gutmann of Northwestern notes that...‘When the burdens of childrearing are shared out among sisters, cousins, aunts, mothers, and grandmothers, parenthood becomes more a joy than a burden... But childrearing in the unbuffered nuclear family, relatively isolated in the city...is very burdensome.’”
- “There is a ‘grandchild gap.’ People well into their sixties, seventies, or eighties are looking for grandchildren to love. Without them they can become deeply disappointed, even misanthropic.”

Then there is the dependency ratio. A small number of young people supporting a large number of old ones is a recipe for generational conflict and decreased prosperity.

Finally, and this is my idea, not Wattenberg’s, a society full of old people reminisces about the past, often with the selective memory that blots out the hardship and remembers only better days gone by. A young society looks forward to what can be accomplished in the future. Which would you rather live in?

The young one, you’re probably thinking. But we’re going to have an aging society whether you like it or not. Let’s try to make it rewarding.

### **Aging gracefully**

#### What’s the matter with kids these days?

In looking for ways to improve the quality of life in an aging world, let’s begin with at the other end, with what’s ailing youth. Right now, many young people in the developed world are looking to the future with dread. This is a serious misunderstanding of what lies ahead and can be fixed by educating young people responsibly. There’s a world of difference between teaching youngsters the hard realities of life and indoctrinating them in a way that causes them to tell their parents they wish they had never been born because “we’re all gonna die!”

I’m not exaggerating: this is going on in households in the United States, Europe, and, for all I know, other countries. I think it’s less common in the developing world, where improvement is more obvious.

Youthful angst is not new; *The Sorrows of Young Werther* was written in 1774. The ancient Greeks chronicled it too. But this angst was usually about the self, not the world; youth has generally been forward-looking. “Bliss it was in that dawn to be

alive. But to be young was very heaven," wrote Wordsworth about the French Revolution. Widespread dread of the future by the young began with the nuclear age and was understandable under Cold War circumstances. Our prospects now are much better, but our attitude isn't.

I was having a delicious dinner in Milan with a European business colleague who told me his children "didn't plan to have any kids because they didn't want to bring anyone into an overcrowded world that is going to end in an ecological catastrophe." I almost dropped my pasta in my lap, then recovered to sputter, "They don't know what they're talking about." I doubt that I made a friend for life that way. Of course we face environmental challenges, but putting "world" and "end" in the same sentence is not good for children, and not true.

Books like this one might help a little. But a mental attitude widely held is a battleship, and it takes a lot of effort to change its direction. (We're also not going to fix the real problems that we face, including environmental ones, if our leaders of the future believe it's hopeless.) A lot of education, life experience, and wisdom will be needed to persuade young people that life is not only worth living but almost guaranteed to improve in both material and less tangible ways.

### Loneliness and the folk society

Ben Wattenberg was right to worry about an aging society being lonely. One can envision changes that will alleviate that concern. Kurt Vonnegut said that the young communitarians of the 1960s wanted to live in a "folk society." Recounting his interaction with the sociologist Robert Redfield, who coined the term, Vonnegut wrote,

[P]rimitive societies... were all so small that everybody knew everybody well, and associations lasted for life...The old were treasured for their memories. There was little change....

[W]e are full of chemicals which require us to belong to folk societies, or failing that, to feel lousy all the time... When anything happens to us which would not happen to us in a folk society, our chemicals make us feel like fish out of water.

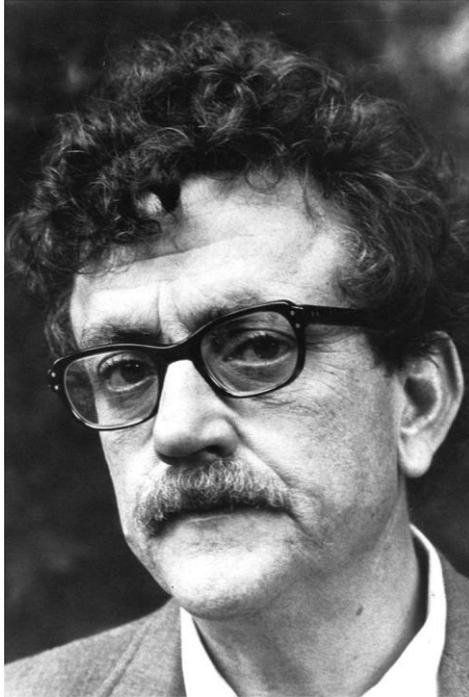
And what do many of our children attempt to do? They attempt to form folk societies, which they call "communes." They fail. The generation gap is an argument between those who believe folk societies are still possible and those who know they aren't.<sup>4</sup>

Exhibit 3

Kurt Vonnegut, Jr. in 1972

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<sup>4</sup> Vonnegut, Jr., Kurt. 1974. *Wampeters, Foma & Granfalloon*s. New York: Delacorte Press.



Source: [https://upload.wikimedia.org/wikipedia/commons/5/5e/Kurt\\_Vonnegut\\_1972.jpg](https://upload.wikimedia.org/wikipedia/commons/5/5e/Kurt_Vonnegut_1972.jpg)

Why did the young communitarians fail? Not because of lack of will or dedication, although some (the more sensible ones) were only marginally committed to the experiment. They failed because, under modern conditions, at least for young and middle-aged people, *a folk society has a very high opportunity cost*. You have to give up, among many other things, the ability to pursue opportunity in Seattle or London or Shanghai, far from your family. You have to live at a standard of living your great-grandparents strove mightily to escape.

But it's old folks who might actually benefit more from attempts to recreate the conditions of a folk society, where associations are long-term and the aged are treasured for their memories. For such an undertaking to work, interaction with younger people is essential.

A step in that direction is the tendency of retirees to congregate in college towns, which are cultured places where young and old can mix. The cohousing movement, in which unrelated old people choose to live together in clusters of dwellings built for that purpose, is another encouraging trend, although it could be isolating if it separates the residents from the young and middle-aged. And some of the more affluent retirees are moving back to city neighborhoods that have always been a magnet for the young. Society has much to gain if entrepreneurs, governments, and the voluntary sector put thought and energy into this vision.

The rest of this chapter deals with the financial issues that arise in an aging society: the need for an adequate and secure retirement income, and the rising cost of

medical care. I conclude with a call for policies that make it easier for people to work longer, easing the dependency gap about which Ben Wattenberg was concerned.

### **The pension dilemma<sup>5</sup>**

There are two categories of problems related to providing retirement income, and I've written about them extensively in my day job.<sup>6</sup> The first is that people need access to financial products and practices that better enable them to spread the income from their working lives over their whole life. This is an engineering problem that can be solved with tools we have at hand or can easily develop. While developing the needed asset management techniques, longevity insurance, and administration is a challenge, this is the lesser of the two problems.

The bigger problem is that a great many people just don't have enough money to provide for their old age. In retirement, they will need the resources of other people, whether that means government support (which is just "other people"), their children, or other relatives, friends, and associates (such as members of a church or mutual benefit society).

#### Defined benefit vs. defined contribution pension plans

A traditional or "defined benefit" pension plan, such as is enjoyed by many public-sector workers in the U.S. but a shrinking number of private-sector workers provides mortality-risk sharing or pooling by its very nature. Specifically, the amount saved need only last to the statistically expected or *average* length of life, about 85 years old, rather than to the maximum possible life of about 105 years. In a pension fund, the savings of those who die young help pay for those who live a long time.

But most people, at least in the United States, now rely on "defined contribution" pension plans that are really savings plans where there is no mortality-risk sharing. The contribution isn't defined at all (that terminology is an artifact of old laws and practices); rather, it is what the employee can afford, and usually also includes an employer contribution. Figuring out how to spend the savings after retirement, when you can live to over 100 while facing a decline in cognitive ability, is the retiree's job. The evidence is that they're not very good at it.

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<sup>5</sup> This section was critically reviewed by Stephen C. Sexauer, Thomas L. Totten, and M. Barton Waring (see footnotes 8 and 11).

<sup>6</sup> See the sections below for examples.

So much has been written on retirement and pension issues that I'll just refer the reader to a comprehensive bibliography (Collins, Lam, and Stampfli [2015]<sup>7</sup>) and discuss my own work, with various collaborators.

### A riskless "pension promise to oneself"

I start by assuming that defined-benefit plans are not coming back, although maybe they should, and that we have to work within the context of a defined-contribution world. A template for a very basic, self-administered retirement savings plan – a "pension promise to yourself" – is described in an article I wrote several years ago with the San Diego County pension chief investment officer Stephen Sexauer.<sup>8</sup> The plan is to save a predetermined percentage of one's wages or salary, with the percentage escalating over time, until enough money has been accumulated to replace (when Social Security benefits are also included) 70% of the pay rate one has been earning just before retirement.

The money is assumed to be invested in riskless, inflation-indexed U.S. Treasury bonds, which currently yield about 1% plus the rate of inflation. The savings percentages required for this plan to work are high; for our prototype participant, a Columbus, Ohio public school teacher, starts at 10% and climbs to around 30% in the second half of the teacher's career.

While individuals rarely can save that much on their own, employer contributions help a great deal. If the participant can save 15% and the employer matches that amount, we've achieved our goal. The savings balance is split into two pools: one (about 85% of the total) used for a spend-down from ages 65 to 85, and the rest used to buy a "deferred annuity" that begins payout at 85 and lasts as long as the person remains alive.<sup>9</sup>

Lower-income people don't need to save as much because, for them, Social Security benefits (as presently constituted) make up a larger part of the 70% income replacement that's desired. Many financial planners agree that replacing 70% of

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<sup>7</sup> Collins, Patrick J., Huy D. Lam, and Josh Stampfli. 2015. *Longevity Risk and Retirement Income Planning*. Charlottesville, VA: CFA Institute Research Foundation. <https://www.cfainstitute.org/-/media/documents/book/rf-lit-review/2015/rflr-v10-n2-1-pdf.ashx>

<sup>8</sup> Sexauer, Stephen C., and Laurence B. Siegel, 2013. "A Pension Promise to Oneself." *Financial Analysts Journal*, volume 69, number 6 (November/December), <https://www.cfapubs.org/doi/pdf/10.2469/faj.v69.n6.4>

<sup>9</sup> A deferred annuity, more properly a deferred *life* annuity, is a contract, usually bought from an insurance company, in which the money you invest at a given time is held and invested by the insurance company for a period, usually until you reach age 85, then paid back as an annual or monthly guaranteed income for as long as you live. Deferred annuities can be structured so that they pay out as long as *either of two* spouses remains alive, and other variations are available. Because many people do not live long enough to collect any income, or collect for only a short period before they die, deferred annuities are "cheap," that is, one can arrange for a large amount of income to be paid, contingent on remaining alive, for a relatively modest initial investment.

one's pre-retirement income is an adequate goal, because people have fewer expenses after they retire, including the expense of saving for retirement itself.<sup>10</sup>

### Taking equity market risk to improve retirement income expectations

While the savings requirements for a riskless pension promise to yourself are daunting, almost nobody invests that way. They buy a mix of stocks and bonds (or, more properly, stock funds and bond funds). Although Sexauer and I briefly addressed the reduction in savings requirements that might be made possible by taking market risk, a more recent article I wrote with the actuarial-firm executive Thomas Totten studies the issue more closely.<sup>11</sup>

In particular, Totten and I focused on the post-retirement or spend-down part of the problem; we assumed that the retiree starts out with \$500,000, having accumulated it somehow. The numbers can be scaled up or down to a given retiree's situation. The money is invested in a portfolio dominated by equities (stocks) and, as before, is designed to be spent down over 20 years, with 15% of the total used to purchase a deferred life annuity.

Exhibit 4 is a simulation showing possible spending "paths" based on 20 years' spending out of the portfolio, plus the deferred annuity payout thereafter; the paths represent market outcomes, ranging from 99<sup>th</sup> percentile (best), shown by the top line, to first percentile (worst), shown by the bottom line. The distribution of market outcomes is based on history.<sup>12</sup> After the 20<sup>th</sup> year of retirement (age 85), the paths are all the same because the portfolio has been spent and all of the income comes from the deferred annuity.

#### Exhibit 4

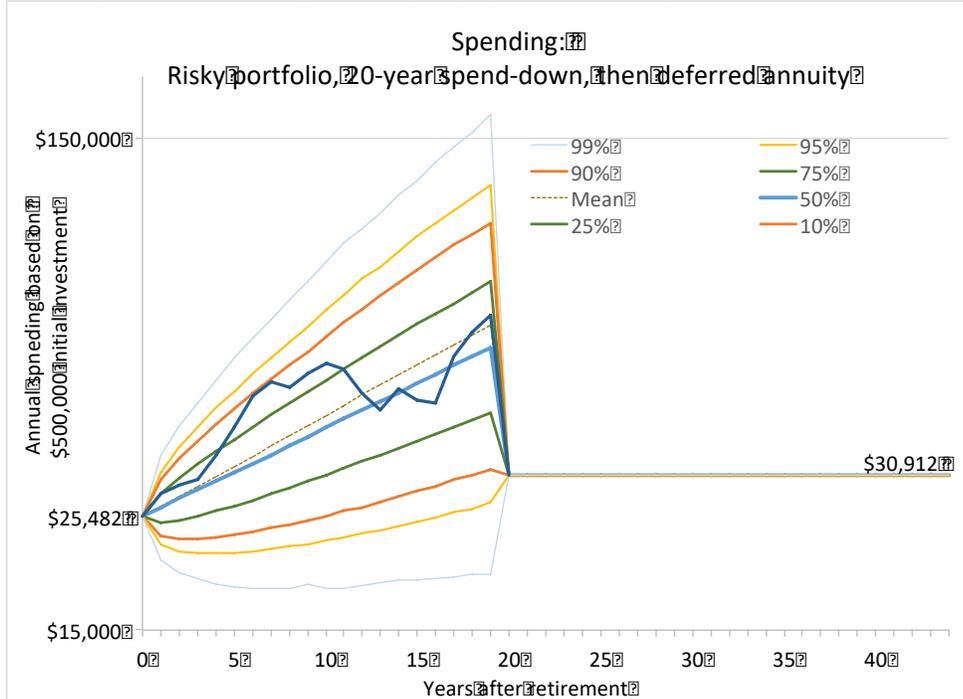
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<sup>10</sup> Some taxes are also lower after retirement, as are costs associating with commuting, dressing for work, etc.

<sup>11</sup> Totten, Thomas L., and Laurence B. Siegel. 2019. "Combining Conventional Investing with a Lifetime Income Guarantee: A Blueprint for Retirement Security." Working paper, available at <http://www.pensionpromise.com>. Accumulating the million (or any other amount) involves having a saving strategy and sticking to it; the investment management firm executive Barton Waring and I have written extensively on optimal savings and spending rates (Siegel and Waring [2017] on saving rates, Waring and Siegel [2015] on spending rates). The work is somewhat more technical than the articles discussed above. Waring, M. Barton, and Laurence B. Siegel. 2015. "The Only Spending Rule Article You Will Ever Need." *Financial Analysts Journal*, volume 71, no. 1 (January/February), <https://www.cfapubs.org/doi/pdf/10.2469/faj.v71.n1.2>. Siegel, Laurence B., and M. Barton Waring. 2017. "The Only Saving Rate Article You Will Ever Need—Using Just a Handheld Financial Calculator!" *Journal of Investing*, volume 26, no. 1 (Spring), pp. 57-69.

<sup>12</sup> More accurately, the parameters used in the simulation (expected return and standard deviation) are based on history, with the expected return adjusted for the (currently high) level of markets. The simulations assume that markets follow a random walk, which is a reasonably robust but not completely realistic assumption.

Probability distribution of payouts from an equity-oriented retirement savings plan including deferred annuity that begins payments in 20<sup>th</sup> year of retirement



Source: Totten and Siegel [2019]

Note: We assumed that the investment portfolio had an expected return of 6.9% and a standard deviation of returns of 11%.

Note that most, but not all, of the paths yield more than 6% in nominal terms, or \$30,000 per year per \$500,000 invested, a big improvement over what can be achieved using riskless bonds. But, if one of the worst-case market scenarios happens, the retiree won't make 6% and would have been better off with the bonds. That's what it means to take risk; a good outcome is not in any way guaranteed. The deferred annuity at least assures that the retiree will not be destitute in his or her last years, and enables her to manage the spend-down between age 65 and 85 more rationally and confidently.<sup>13</sup>

In realization, that is, after the fact, none of the paths experienced by an investor will look anything like the smooth lines in the exhibit. Instead, they reflect the bumps and potholes of the stock market, as shown in the extra (jagged) line that we've added to illustrate one "run" of the simulation. The smooth percentile lines are *averages* of the results from the many thousands of runs involved in producing the overall simulation.

While well-engineered savings plans such as these have not been widely implemented, they're not rocket science. Employers, investment management firms,

<sup>13</sup> This assumes that the annuity issuer does not default on its obligation, or that, if they do default, state annuity guarantee funds are adequate to make the retiree whole.

insurance companies, trade or business associations, and legislators and regulators should work toward the streamlining of the retirement income-generating process so that our aging population has one less worry.

### **Medical costs<sup>14</sup>**

Medical costs have risen hugely for three principal reasons:

- (1) the *much* greater effectiveness of the available treatments and preventive methods, compared with the past;
- (2) third-party payment, which reduces the incentive to economize; and
- (3) bureaucracy, regulation, compliance costs, litigation and the cost of avoiding litigation, and mission creep.

In contrast to commonly held belief, soaring medical costs in the United States are *not* due to overutilization, gigantic paychecks for doctors, overly large numbers of specialists, or even the aging of the population. The principal real reasons are those summarized above.<sup>15</sup>

#### Greater effectiveness

We could spend the same amount on medical care (adjusted for inflation) as we did fifty years ago, but most people would not be satisfied with “take two aspirin and call me in the morning.” Radical advances in chemotherapy, psychoactive drugs, orthopedic devices, and cardiac and other surgeries simply cost more for the same reason a race car costs more than a quarter horse. It’s better at performing the desired service.

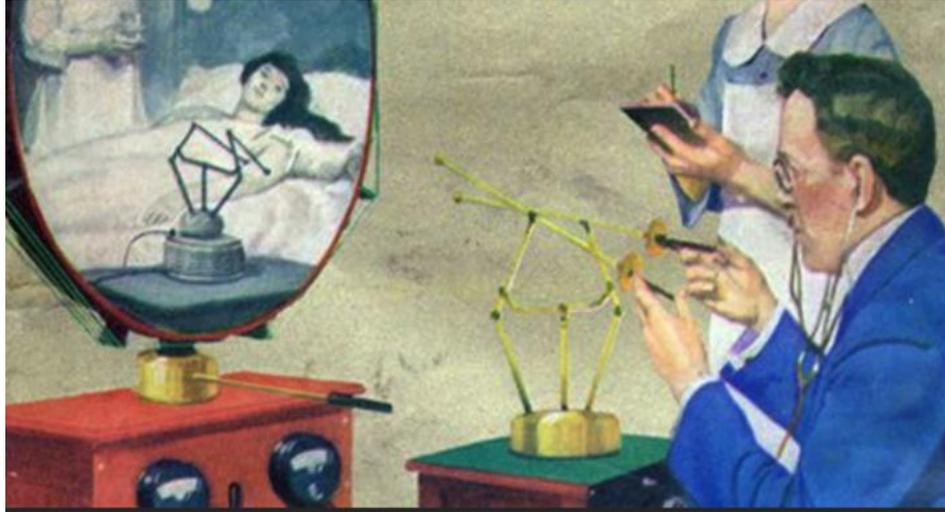
A discussion of this sober subject could benefit from a little whimsy. In 1925, *Science and Invention* magazine published the cover shown in Exhibit 5. The doctor can view and even touch the distant patient using a television equipped with feelers, quite a feat of the imagination at a time when radio was fairly new and television was a lab experiment.

Exhibit 5  
A doctor in 1925 looks into the future

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<sup>14</sup> This section was critically reviewed by Lee A. Kaplan, MD, a retired physician and clinical professor emeritus at the University of California, San Diego.

<sup>15</sup> <https://jamanetwork.com/journals/jama/article-abstract/2674671>



Source: <https://www.smithsonianmag.com/history/telemedicine-predicted-in-1925-124140942/>

But the doctor had no penicillin, no sulfa drugs, no CAT scanner or MRI machine, almost no orthopedic devices, no chemotherapies for cancer. Medical treatment was affordable, but if you were seriously ill, there was not much the doctor could do for you.

### Third-party payment

Because of wide variation in the amount of medical care needed by any given individual, some kind of risk spreading or “insurance” is unavoidable. Food is even more of a necessity than medical care, but we don’t have or want food insurance (except for the very poorest people) because everyone needs roughly the same number of calories.

But, with regard to medical costs, one person may live happily with a \$250 checkup every year until she falls over and dies, while another – behaving in exactly the same ways but with a different draw in the genetic lottery – may require \$5 million in cancer treatments or heart surgeries over her lifetime. Lifestyle adjustments help, but don’t guarantee anything.

*The problem with medical “insurance.”* Therefore, we have medical insurance, just as we have fire and flood insurance: contracts that are supposed to pay for unusual but highly adverse outcomes. But because of the tax deductibility (for employers) of medical insurance costs – itself a relic of World War II-era wage controls where employers were not allowed to give raises but could compete on fringe benefits – medical insurance has morphed into an almost fully prepaid health care plan for those lucky enough to get one. Regarding many medical procedures or tests, “I’ll take it – it’s paid for!”

That's not insurance; it's analogous to building into the price of a car all the gasoline and repairs a driver will ever need. Few drivers would buy or could afford such a "loaded" car, but the same scheme is inexplicably popular with medical insurance, probably because of the fear of crushing, life-altering expenses (that vastly exceed anything that maintaining a car could cost) – and because someone else, either the employer or the government, through Medicare and Medicaid – is paying the cost. (In the case of the employer, he is just appearing to pay the cost, because it is coming out of the total worker compensation budget and could otherwise go to the worker in cash.)

But, as I suggested earlier, that is just the picture faced by the lucky ones, those who have permanent, full-time jobs with a large private employer or a government agency. The rest of us have to make do with overpriced medical insurance that underdelivers.

*A modest proposal.* I don't have anything like a full solution, but here's a thought. Let government insure the "nose" and the "tail" of the beast, by paying for a very basic level of care plus expensive but rare outliers, and leave the remainder to the individual. The individual could choose to be covered by a company plan, individual commercial insurance, self-insurance (such as a health savings plan), no insurance (pay as you incur the charges), or a voluntary association (a church, an alumni association, the Raccoon Lodge, or some other granfalloon; these folks could also help with organizing pensions or retirement savings plans).<sup>16</sup> This arrangement would cost much less and provide better outcomes.

### Bureaucracy and mission creep

Only about 30% of your health-care dollar goes to actual doctors and nurses. The rest goes to equipment (mostly necessary) and an army of paper pushers, administrators, managed-care "solution providers," and paraprofessionals. The paraprofessionals are supposedly there to make doctors' and nurses' lives easier; if the system were working, we wouldn't have doctors leaving their practices in droves and nurses commanding doctor-like salaries due to their punishing hours and high dropout rates. Surely we can do better.

I earlier mentioned mission creep. The medicalization of every problem known to man is yet another reason for high costs, with some benefits but not clearly enough to justify the costs. Faith McLellan, writing in *The Lancet*, explains:<sup>17</sup>

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<sup>16</sup> The granfalloon (Kurt Vonnegut-ese for "a proud and meaningless association of human beings") would, in order to secure the benefits, most likely want to reinsure with a commercial insurance company.

<sup>17</sup> McLellan, Faith. 2007. "Medicalisation: a medical nemesis." *The Lancet*, Volume 369, Issue 9562, (February), pp. 627-628, [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(07\)60293-1/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(07)60293-1/fulltext). McLellan, a public health scholar, was then an editor of *The Lancet*.

Once upon a time, plenty of children were unruly, some adults were shy, and bald men wore hats. Now all of these descriptions might be attributed to diseases—entities with names, diagnostic criteria, and an increasing array of therapeutic options....Medicalisation...refers to the process by which certain events or characteristics of everyday life...,including sexuality, garden-variety unhappiness, childbirth, ageing, and dying,...become medical issues, and thus come within the purview of doctors and other health professionals to engage with, study, and treat....

The medicalisation of these life experiences has brought with it benefits, but at a price. And those costs, which are not just financial, are not always clear.

Doctors cannot solve every human problem any more than schoolteachers can. To try is admirable, but not realistic.

### **Working longer**

If you don't have enough money for something, here's a solution: go to work.

The dependency gap described by Ben Wattenberg, the small number of young people available to work for, provide services to, and pay taxes to support older people, is a challenge in almost every developed country and many developing ones. In the United States, increased immigration has been proposed as a solution, and it will help: many immigrants have the needed skills, are willing to uproot their lives for opportunity, and tend to arrive young and in good health.

But immigration is not a panacea. Immigrants, like natives, get old and sick (although with a time lag). They have children who require schooling. Immigration is almost certainly a net economic positive under current conditions, but the optimal amount of immigration is not infinite. Jeremy Siegel, the famed Wharton professor who showed (not quite convincingly enough for me) that stocks are the best long-run investment, says Americans would be able continue to retire at age 62 if we imported *half a billion* immigrants. I'm not sure where we'd put them, and his proposal is not serious; he's trying to demonstrate the limits of immigration as a strategy for coping with the costs of aging.

The aging population seems to be divided into two camps: (1) those who would like to work longer, for either financial or personal reasons, and are either already doing so or need to overcome various institutional and legal barriers so they can; and (2) those who can't wait to quit their jobs and take it easy. Many in the second camp are facing physical limitations.

Let's at least try to help the first group. In a paper we are currently writing, Stephen Sexauer and I advocate policies to make it easier for older Americans to work longer.<sup>18</sup> We argue:

[M]ost people would rather be rich, healthy, and happy than poor, sick, and tired in their later years... [T]he relative shortage of older workers in the economy can be traced to a set of generally well-meaning laws, regulations, and practices.

[We] document the need that many older people have for more money. [There are] two common objections to working longer: poor health...and the desire for leisure... These are longstanding and real constraints and they merit being acknowledged and discussed. Another objection is the "French Problem," the mistaken idea that there is a shortage of work or that the supply of jobs is fixed, so that employing an older person means denying a job to a younger one.

[We note that] work is continually getting easier, [making it possible for older workers to perform it.] [We] present...evidence that working people enjoy better health...and also enjoy life more.

I'd also add that many older workers are already trained to do the work they've done all their lives, and socially conditioned to show up on time and in the right place, dressed properly and with at least a tolerable attitude. Sadly, this is not universally true of the young.

What needs to be done to enable and encourage older workers to stay on the job, perhaps with reduced hours, reduced pay, and easier work? Sexauer and I write that "challenge of getting people to work longer is largely a legal and regulatory problem." Employment law needs to be changed to provide a safe harbor for employers offering older workers the more relaxed conditions we've just described, instead of exposing the employer to the risk of litigation and punitive regulation.

Sexauer and I conclude:

Along with the gains to the individual from working longer, there are large gains to the public. There are no losers. Let's make the needed changes, not only for the sake of older people who would like to work, but for the benefit of all of society.

## Conclusion

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<sup>18</sup> Siegel, Laurence B., and Stephen C. Sexauer. In progress. "Longer, Healthier, Happier." Draft available at <http://www.pensionpromise.com>.

Tension between the generations is age-old and biological. As explained by Richard Dawkins in *The Selfish Gene*, parents and children compete for the same resources.<sup>19</sup> Each child tries to maximize the resources he or she can commandeer from the parents, while the parents must strike a balance between maximizing the likelihood of that child's survival and reserving resources for themselves, their other children, and their possible future children. This dynamic is an ongoing power struggle that, in humans, has manifested itself in the form of wars, revolutions, changing laws and tax rates, and explosive shifts in the culture.

We do not know exactly how the dynamic will play out as the population ages. We can attempt a conjecture. When children were plentiful and parents scarce, the latter held the bulk of the power. With plentiful adults and scarce children, plus a mushrooming number of adults with no direct genetic investment in the future, the arc of power will bend toward the young. Although they'll have fewer votes and fewer aggregate dollars, young people will have more influence over the behavior and priorities of their elders. What that means in practice is anyone's guess, and at the very least it will be interesting. May you live in interesting times.

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<sup>19</sup> Dawkins, Richard. 1976. *The Selfish Gene*. Oxford, UK: Oxford University Press.