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**Teresa Ghilarducci: When I'm Sixty-Four**

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## Introduction

In the mid-1960s, when the first wave of American baby boomers—the 76 million people born between 1946 and 1962—tripled college enrollments and Medicare legislation was adopted, the Beatles’ song “When I’m Sixty-Four,” could not, in retrospect, have been more forward-looking.

Since the first Social Security check was sent sixty years ago, Americans losing their hair have been receiving “pension valentines.” Today, as the Beatles’ first fans are approaching age sixty-four, American workers wonder if the promised pensions, Social Security, and medical care, will materialize in their old age.

In the face of a crumbling pension system, a badly functioning medical insurance system for the aged, and soaring national deficits, policymakers and leaders can find a way to save retirement—a necessary, if now threatened, feature of all civilized democracies—by combining the appropriate governmental, economic, and social ingredients into a new, and newly imagined, retirement system. By mustering the political will and economic intelligence to do this, leaders will not only spare society the travails of the currently damaged system, but will provide generations present and future a new blueprint for maximizing the well-being and social contribution of elderly people—a win-win formula. This book explains how.

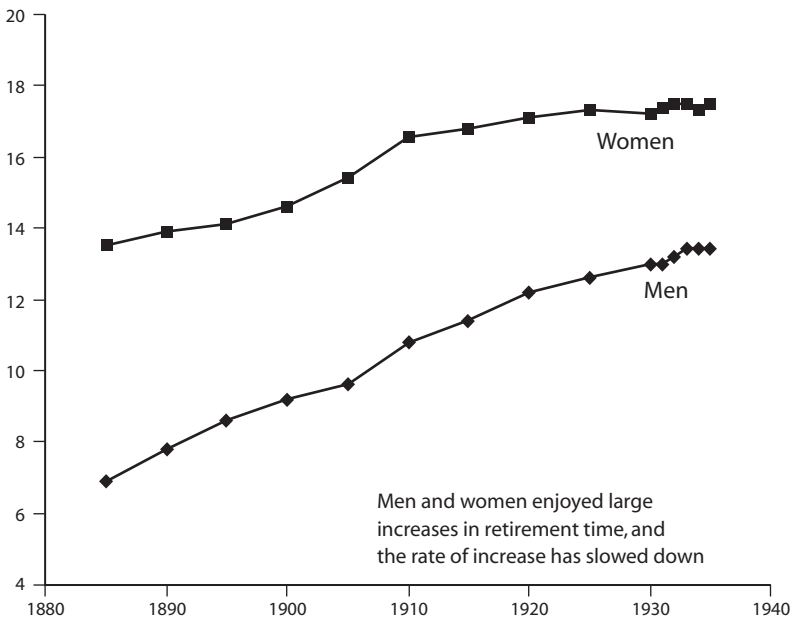
Categorically, everyone admits that Social Security has been stunningly successful at halving the elderly’s poverty rate and enabling the middle class to retire. The entire pension system, including employer pensions, has been even more successful. Europeans are often surprised that Americans have any guaranteed income programs at all. Even more surprisingly, given this nation’s reputation for “do-it-yourself” financial lives, there is widespread acceptance that older Americans, even those who are healthy and still able to work, deserve to retire.

In 1950, a working man could look forward to seven years of retirement time before he died; for women it was about thirteen and a half years. By 2000, on average, men retired for almost fourteen years and women eighteen. Overall, as a nation, we have constructed steady improvements in a very valuable

resource—retirement time—and it should be a cause of celebration (see figure 0.1). Nevertheless, powerful forces threaten this vital addition to the quality of workers’ lives.

Although most of us value our “leisure,” while doing research for this book I discovered revulsion for that word. Friends, reporters, and politicians recoiled from my phrase, “retirement-leisure.” Defending retirement-leisure—the kind of retirement where older people can afford to not work—was more challenging than I expected. The financial ability to withdraw voluntarily from the labor force, the ability to rest, and, even to recuperate before dying, is, to workers, a fundamental part of dignified living and a marker for achieving middle-class status. And, if pressed, most economists would admit to expecting that, as civilized societies grow richer, they will create institutions that permit able-bodied people to retire.

Figure 0.1  
Number of Years in Retirement, by Birth Year (1885–1938)



Note: Retirement time = leisure rate  $\times$  number of years to live =  $((100 - lfp)/100) \times$  life expectancy in years after age 65.

Sources: 1950, 1960, 1970–2000: *Health, United States 2002*, at <http://www.cdc.gov/nchs/data/hus/tables/2002/02huso28.pdf>; 1955: *Vital Statistics of the United States, 1955*, vol. 1, introduction, 1957; *Vital Statistics of the United States, 1965*, vol. 2, sec 5, 1968.

However, all people seemed defensive about the notion of retirement, quickly asserting that they wanted to be productive, not shrivel up and die. Nevertheless, the notion that retirement was a last chance to do what one wanted grew sweeter as one contemplated it coming at the time when life is filled with nothing but last chances. Time before death has special proprieties. Chief among them is scarcity, and scarcity always increases value. In Saul Bellow's novel *Ravelstein*, an older writer reflects on his life-threatening illness; he wants very much for his much younger wife to understand how valuable time is before death:

And Ivan Ilyich also mentions the slow rise of a stone thrown into the air. When it returns to earth it accelerates thirty-two feet per second. You are controlled by gravitational magnetism and the whole universe is involved in this speeding up of your end.—Art is one rescue from this chaotic acceleration. Meter in poetry, tempo in music, form, and color in painting. Nevertheless, we do feel that we are speeding earthward, crashing into our graves. (Bellow, 192)

I used to include this quotation on birthday cards—but very few were amused.

We are deep in a national bargaining session over “socially optimal” retirement. I wrote this book to articulate what is at stake: that the needless fear that retirement is not deserved, nor affordable, is framing the debate and distorting the analysis.

As I was finishing this book in the summer of 2006, a retired United Airline pilot called me, apologetic for taking my time. He told me he lost 68.3% (he rounded to one decimal point!) of his pension after flying thirty-five years for one company. He said, “Except the military, I worked for United about my whole life.” He said he made “pretty good” money and “they” told him to put his money toward his retirement. “And now it’s gone. How can they do that?” At sixty-one, he needed to find a way to keep his house. Taking retraining classes at the local high school, he created a website as a project for his computer class. He still does not have a job; but he has a website dedicated to “not letting what happened to me happen to other people.” He used his much smaller pension to buy the domain name [www.protectpensions.org](http://www.protectpensions.org).

This book aims to explain these kinds of pension losses with the hope that they never happen in the future.

- Part I explores the undermining of the U.S. retirement income security system, which, despite popular belief, is not caused by Social Security

collapsing, but by work-based pensions tottering badly, as many financial risks that workers cannot control are no longer shared by employers and the government, but shifted entirely to workers.

- Part II addresses the break from the forty-year trend of older men withdrawing from the labor force. Older workers are being partly pulled into the labor force by more job opportunities, and partly because of their diminishing pensions and health insurance.
- Part III identifies who benefits when older people work more. Human-resource consultants warn clients that the supply of teenagers, housewives, and immigrants will dry up,<sup>1</sup> raising workers' bargaining power and causing upward pressure and a squeeze on profits.<sup>2</sup>

The book concludes with proposals for a retirement income policy that finances retirement and distributes it more evenly across workers.