

By Jennifer Hicks and Eric R. Kingson, guest editors

The Economic Crisis: How Fare Older Americans?

A situation that both challenges and draws upon the resilience of our nation.

The global economic crisis, the Great Recession, the financial meltdown, the worst recession since the Great Depression: All of these terms have been used over the past fifteen months, from the autumn of 2008 to late 2009, to describe the most recent troubled economic times. This economic crisis is calling into question assumptions about stewardship of the nation's financial resources, who we are as a people, how we work, why we save, and the role of government in our market economy.

Speculation abounds. Is the recession over, or is the worst still yet to come? Will the recovery be rapid (V-shaped), or slow (U-shaped), or are we at risk for a second downturn (W-shaped)? What should the role of the government be—are institutions truly “too big to fail” and in need of bailout money, or has the government overstepped and gotten involved in something that the market should have corrected? Is there too much stimulus spending, which will cause inflation in the future, or is more stimulus spending necessary?

Some see the crisis as having begun in September 2008, when Fannie Mae and Freddie Mac were taken over by the federal government, Lehman Brothers went bankrupt, the \$700-billion bailout package failed to pass, and the Dow Jones Industrial fell 777 points (7 percent) in one

day. Others see many triggers occurring long before that caused credit to freeze and the economy to crumble.

But in all these facts and figures are people and organizations that are trying to manage their way through this crisis. This issue of *Generations* explores the implications and opportunities emerging from this economic downturn as they apply to older Americans and to the readers of *Generations*. While not fully knowable, the implications are profound, and as was true in the 1930s, the present crisis also creates opportunity for innovation and change.

When the editorial board of *Generations* decided in November 2008 to develop an issue on the unfolding crisis, they asked the guest editors and authors to help “place the crisis in perspective,” as best as could be, given that we would be writing as the crisis and—the new Obama Administration—were taking form. Recognizing the fluid nature of the situation, we asked authors to “think out loud,” to speculate more than they ordinarily would in a more conventional issue. Recognizing, too, that people's lives are grounded in the changing realities of the economy, we also asked authors to give special attention to the human dimensions of the crisis for older Americans, people nearing retirement, and people delivering servic-

es to elders. And we made an effort to include stories of adjustment and resilience.

Implications

The implications of this economic crisis are broad and span the spectrum from economic to psychosocial to political. No individual, business, profession, or political organization is untouched; the impacts of the crisis have been sudden and many will have long-term effects.

Economic shocks

This recession has destabilized the finances of many retirees and people nearing retirement. Stock market and home equity losses have taken a large bite out of assets, with almost \$3 trillion lost just from U.S. employees' 401(k) plans and IRAs between October 2007 and the end of 2008 (Fleck, 2008). Many individuals have stopped contributing to their retirement funds, while others are withdrawing money from their retirement accounts prematurely and incurring penalties (Brown, 2009).

Although some of those losses have been recovered, the impact of the market drop has served to highlight risks associated with the reconfiguration of retirement income. Over the past thirty years, the system has changed from one that relied on the employer and government to provide adequate income in retirement to one in which individuals are more responsible for their own financial destinies. With the shift in employer plans from provision of a defined benefit (for example, a pension consisting of a guaranteed percentage of salary) to a defined contribution (for example, a set amount placed in a 401[k]), new burdens have been placed on many employees, who must now make investment decisions. These employees, frequently without financial literacy, now bear much greater risk of market volatility and must manage this risk and make decisions about whether to receive more in their paychecks versus voluntarily contributing to their retirement (AARP, 2008; Hacker, 2008). Exposure to the stock market has increased

dramatically, from less than 20 percent of households in 1983 to over 50 percent in 2005 (Munnell and Muldoon, 2008).

In her article in this issue, the sociologist Pamela Herd suggests that the “three-legged stool” of retirement income—whereby the two legs of “Social Security and employer-provided defined-benefit plans pooled risk across all beneficiaries,” with a third leg based on individual private savings—no longer stands as an appropriate metaphor for the nation’s retirement income system. What we have today is something far less sturdy, a “two-legged stool,” with one leg, Social Security, providing secure benefit protections based on a collective approach to risk, and the other leg, increasingly wobbly, based on individualized approaches to risk (savings, defined-contribution plans, and now the necessary addition of earnings). Deeply concerning, older women, African Americans, and people with limited education have been most burdened by the interaction of the economic crisis with a changing retirement security system that has gradually shifted more risk onto individuals.

Extending Herd’s themes, Jon Pynoos and Phoebe Liebig discuss how the economic crisis has changed the timing of retirement for many and highlight the importance of employment for many older people at the very time that surety of earnings is less certain for all workers. As the crisis on Wall Street began to tumble down to the people on Main Street, unemployment grew steadily from 4.7 percent at the end of 2007 to 7.2 percent at the end of 2008. As of October 2009, the rate of unemployment topped 10 percent—the highest in over twenty-five years. Hours have been cut, employees have been required to take unpaid days off, and cuts in pay have become common. Many of those older Americans who find themselves unemployed have filed for Social Security benefits earlier than they had planned, with applications up 23 percent from last year (Aversa and Rugaber, 2009).

Pynoos and Liebig cast further light on challenges facing older people pertaining to

employment and loss of housing equity. For those who are unemployed, many face extreme difficulty finding employment and may choose to retire early, a decision that has negative financial implications for the remainder of their lives. Some who are already retired may need to go back to work if they are physically able, or must simply live more frugally, which sometimes means establishing shared living arrangements with family members, which can put even more stress on the family unit. Those who have lost substantial equity in their homes find their stock of retirement assets further diminished. Many people have home loans that now exceed the value of the property, and large numbers face foreclosure. Pynoos and Liebig conclude that the economic crisis is particularly hard on the very old and “underscores the negative impact of the lack of government regulations on the lives of older adults.”

Psychosocial shocks

The personal impacts of the Great Recession extend beyond economics. In a recent interview in *The New York Times* (Rampell and Saltmarsh, 2009), Barbara Petrucci, a 58-year-old dialysis nurse, refers to retirement as “kind of an elusive dream at this point.” She says that she and her fellow nurses “tease at work about someday having to go around at the hospital with our walkers.” In another example, Michael Walzer, as interviewed by Jennifer Hicks, notes that he is afraid for his children and his grandchildren, as they would have a hard time being poor; they have not known poverty.

In his article, the philosopher Harry Rick Moody discusses the personal shock, disillusionment, and lack of trust in institutions that many people are currently experiencing, along with uncertainty engendered by the experience of evaporating assets, fiduciary neglect, and loss of employment experienced by many. He suggests that for many, who have “done everything right”—saved for retirement, supported family, and lived by the rules—the crisis shakes the

foundation of belief in our nation’s institutions, private and public.

Noreen Shugrue and Julie Robison write that “people are adapting,” but that these adaptations may not always be positive and have implications for those who work with older adults. The authors point to increases in depression, fear and anxiety, substance abuse, and family tensions, among many other difficulties. But, they say, positive opportunities have also arisen, with the adversity bringing some families closer together, for example. In Jennifer Hicks’s interview with Michael Walzer, he describes the close family ties that many experienced during the Great Depression.

Political shocks

The economic crisis interacts with extraordinary budget deficits and debt at the federal level, increased fiscal pressures on local and state governments, and a continuing and unsustainable rise in healthcare expenditures. Prior to the changed economic context and well more than a trillion dollars in spending designed to close the economy’s deflationary gap and buttress the banking system, the struggle to influence the public agenda about the future of an aging society promised to intensify. The Peter G. Peterson Foundation is directing one billion dollars to make the case that a unitary “entitlement” crisis exists, requiring dramatic changes, including perhaps means-testing Social Security and Medicare and other mechanisms to significantly reduce commitments to today’s and tomorrow’s old. But a public reeling from stock market shocks is not likely to be receptive to benefit cuts in Social Security and Medicare, even if it were scheduled for ten or twenty years in the future.

Drawing on public-opinion scholarship, the MIT political scientist Andrea Campbell discusses the implications for the politics of aging of the diminished financial and health security at the very time the baby boom cohorts enter their sixty-year transition into and through their third then fourth ages. The data

do not support claims of cleavages between generations. Indeed, she notes, “younger Americans are often more supportive of social insurance expansion than older beneficiaries.” The cynicism of the young about whether they will receive benefits is not translating into opposition to Social Security.

Conflict between rich and poor is, however, more salient, and the economic downturn intensifies this conflict. Political support for Social Security and Medicare could diminish, she warns, if reforms rely too heavily on taxing the well-off or cutting their benefits in ways that undermine the traditional support for these programs that has spanned all classes.

Mike Burgess and Robert Applebaum address the increasing pressure on the aging network. Ironically, state budgets are being slashed and private philanthropy has been reduced just as the need for services is increasing. The aging population needs more funding for meals, heating and cooling assistance, and healthcare, while the aging network itself is facing increased cost of food, fuel, and insurance. On top of those difficulties, federal funding under the Older Americans Act has neither grown to cover the substantial increases in the population of Americans over 60 nor kept pace with the rate of inflation. The authors suggest remedies but say they will not come without effort and change.

Opportunities

Crises of all sorts can have an unintended benefit of refocusing a society on what is good and right. Michael Gerson (2009) of the *Washington Post* recently wrote the following:

A recession causes suffering that can overwhelm hope. It can also lead to the rediscovery of virtues that make sustained prosperity possible—and that add nonmaterial richness to our lives. Sometimes grace can arrive through an unexpected door.

The second half of this special edition focuses on some of those possibilities. These include the opportunity to strengthen existing

policy and to advance new programs and approaches to providing service, and the ability to review our history as individuals and as a country with new lenses.

Policy and program enhancements

How can we, as people committed to advancing a positive vision of old age, respond to the crisis? Nancy Altman, a Social Security and pension expert, begins the discussion. The current unfortunate state of affairs highlights the importance of the core mission of Social Security—to provide widespread and basic protection against loss of income through death, disability, or retirement. One major difference between this recession and the Great Depression is that now, Social Security and Medicare provide a safety net to our older adults. As Altman reflects, “In the 1930s, hidden in the shadows of unemployment and home foreclosure statistics were elderly parents living with their adult children. . . . The primary anxiety of . . . workers . . . in those days was simply growing old.”

Although it may come as a surprise to some, Social Security is fundamentally sound, backed by the full faith and credit of the United States Government. Projected financing problems, though real, are relatively modest, manageable, and many years in the future. Altman suggests that the economic crisis requires that serious consideration be given to improving the adequacy of the program’s benefits in either a targeted way or through across-the-board benefit increases.

In response to the economic realities facing many older Americans, David Bank concludes that continued employment may provide substantial advantages beyond the additional income and retirement assets. Encore careers, Bank notes, provide opportunity to reevaluate priorities, and find new meaning and social purpose through employment. What is more, he says, the vast experience of the elderly population could well serve the urgent challenges facing our country, including the need to improve education, the environment, and

healthcare, while providing the ability to older people. James Firman, Sandra Nathan, and Ramsey Alwin provide information on the wide variety of financial services potentially available to economically disadvantaged older populations and wrestle with the fragmented approach in which these services are delivered. They describe a demonstration project that the National Council on Aging (NCOA) is now leading to provide “economic case management” in a holistic person-centered approach.

While the financial resources of governments and service providers are under stress during economic downturns, the need for services to older Americans increases. Foundations serve a critical role in these times in promoting and bringing to scale innovative ideas, service interventions, and advocacy strategies. While acknowledging the growing pressure on foundation resources, Debra Sheets, Michael Marcus, and John Migliaccio note the importance of foundations filling in where other funding has been cut. They propose a number of ways that foundations can rise to the challenge.

Finding a new perspective

In the search for a new perspective, Larry Polivka and Carroll Estes in their article point to the past thirty years, which they describe as characterized by a reign of neoliberal ideology, politics, and policies. The resulting deregulation, tax cuts, privatization, and use of deficits to shrink the social sector, and the promotion of ageist themes have, they say, helped pave the way for the near meltdown of the economy and for “the steady erosion of the middle class and the expectation of retirement security for future generations of retirees.” They expect that neoliberalism, now partially discredited by economic events, will soon be back in full force, with claims that large federal deficits necessitate large cuts in Social Security, Medicare, and Medicaid. To combat the neoliberal agenda, these authors propose a broader strategy of

advocacy for economic investment and equitable growth across all age groups.

In turn, John Cornman, Eric Kingson, and Donna Butts suggest that the economic crisis highlights the mutual obligations of citizens in a democratic society to strengthen the ties—familial, communal, generational, and governmental—that bind us together. The authors call for wider application of an “intergenerational lens” to public and private investments in the well-being and development of individuals and families throughout the course of life. In difficult times, we sometimes need to reflect back on what we can learn from the past. Alice Hoffman shares the stories of five giants—Robert Ball, Nelson Cruikshank, Arthur Flemming, Wilbur Cohen, and Elizabeth Wickenden—who came together in times of crisis and opportunity and who helped to form our system of social protections, including Social Security and Medicare. Andrew Achenbaum puts this recession into historical perspective as he reviews prior crises in the United States, including the Cuban missile crisis, the death of Martin Luther King, Jr., Vietnam, the 1970s recession, and September 11. We, as a country and as individuals, have survived many other hard times, and we will survive this. In fact, the real losers of this crisis are different than in the past—the real losers are the rich, near-rich and the middle class. The poor always suffer.

In fact, we can learn many lessons from the resilience of the old, who perhaps are more resilient because they have experienced more loss and can appreciate gains. In her essay on resilience, Erlene Rosowsky notes that many older people have adapted with positive coping skills and know when to ask for assistance. Andrew Yarrow stresses the importance of sustainability and asks, “How do we leave a world to our children and grandchildren that is at least as good as what we have now?”

Conclusion


In closing, this issue of *Generations* raises many questions, some of which are addressed

within this issue, while leaving others open and new ones to be considered. Most practically, what opportunities might we, as professionals, find to build on the strengths of aging populations, address vulnerabilities, and work with others to negotiate a changing economic and political landscape? What opportunities might we find as advocates to forge new coalitions that span age, disability, gender, and race/ethnicity? What opportunities exist for funders and service providers to innovate, to test new models, and to bring successful ones to scale?

In terms of the politics of aging, will the crisis lead to more contentious competition between various income classes and demographic groups? Or, building on the many cross-cutting solidarities, might a stronger sense of our interdependence lead to a strengthening of the social compact and the ties that bind us to one another? And what opportunities does this crisis present to restate and reinforce the nation's social compact, well exemplified by Social Security and Medicare?

For us as practitioners, service providers, teachers, and advocates, a number of crucial lessons emerge. First, we must continue forward

serving those who are in need while seeking to strengthen the institutions that promote dignity and economic opportunity throughout the course of life. Second, we need to work together to challenge myths and stereotypes that fuel fear and misunderstanding about the real challenges and opportunities arising from America's aging and increasing diversity. Third, we must view the near collapse of our economy as an opportunity to cast aside the dogma of the past three decades, seeking instead avenues of renewal and hope for all Americans throughout their lives.

As President Obama said in September 2009 on the one-year anniversary of the fall of the financial markets, although the recovery is beginning, "Normalcy cannot lead to complacency." We must learn from what has occurred in order to ensure that we are well prepared for what the future holds. We have learned much through adapting to this economic crisis, and we should take these lessons forward to ensure that the same lessons need not be learned again. 

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