

Since at least the eighteenth century, social observers have argued that there is an inverse relation between social development and the status of older persons, a historical shift from veneration to degradation. Adam Smith, for instance, wrote in 1776 how among native Americans age was the basis of rank and precedence, whereas in "opulent and civilized nations" its role was merely residual. Two hundred years later, Ernest Burgess, in *Aging in Western Societies*, came to the same conclusion, citing urbanization and the mass production of commodities as the chief culprits. These served to isolate the aged, and with their loss of decision-making power in the workplace rose a form of social death.

There are substantive issues to address. We are now outliving the traditional lifespan "recipes" and no longer "know" how to grow old and die. Perhaps our contemporary ambivalence to ageing and our anxieties toward death exist, in part, because of this. The result of this ambivalence is that one can now simultaneously be biologically alive and yet be socially "dead."

In this century being old will be ordinary. But the social cohesion that paid at least token respect to age is gone and older people are more isolated both literally and metaphorically. Many will be poor. For the next two decades at least, about half all those over retirement age will be supported virtually entirely through the old age pension and other benefits. However, many other older people are already wealthier through the rise in occupational pensions and housing wealth. The problem is how to move from where we are now to where we hope to be fifty years' time.

We are in danger of yet more cosmetic answers, the 'we must be seen to be doing something' syndrome. What is needed is a wider debate that considers not just the financial position of older people but more generally the whole relationship between the generations- what Mannheim called the 'problem of generations'. At the beginning of the last century, when life expectancy at birth was about fifty, just over half of all women could expect to live to see their first grandchild. Most females born now can expect to see at least one great grandchild before she dies. We aged a generation in the last century.

We have to learn to adapt to a world in which four and even more generations will share the same space and time. Today's demands by older people can be tomorrow's bills for their descendants. It is about balance between generations but taking this generational context into account enables us to look at some of the current issues from three angles.

First is the inter-generational contract that is at the heart of the Pay-As-You-Go social welfare system. In essence, each generation pays to the next in terms of investment in infra-structure, education and capital projects that increase economic productivity and prosperity in the future; in return the succeeding generation pays the healthcare and social costs of its collective parents through progressive general taxation.

This contract was at the heart of the post-war social settlement. It is challenged by the economics of the world we now live in and the consequent move to make each of us individually accountable for our future lives through our own efforts and savings.

Second, is intra-generational responsibility. We move through our lives in company with others born at around the same time. Some of us prosper, some don't. Some of us become chronically ill and disabled and require help and even care. Most do not.

For those needing long-term care, state funding is based on a means test. The upshot is that those whose parents or relatives never need care, inherit the lot, provided there is something to inherit. Those whose parents and relatives do need care may well receive nothing. This inability to pass on even modest wealth to future generations negates what is known as the bequest motive that is a very important factor in the psychology of saving.

One solution is to reform inheritance tax. One proposal is a Care Duty on lifetime transfers of capital. This intra-generational or cohort transfer would go a long way to providing the social care component of long-term care free for all those who need it .

The scheme is socially just in that the present older generation will fund it's own care costs from capital that they have accumulated over fifty years of moderately low taxation and economic growth. Property ownership has increased for all including the many that have benefited from council house discounted purchases.

Finally, there is the question of what is known as the integrity of the self. Philosophers have been bothered about the big questions of personal identity since the very start. What am I? When did I begin? What will happen to me when I die? That kind of thing. They have also been greatly concerned with an issue which the non-philosophers among us take for granted - what does it take for us to persist from one time to another. What is necessary, and what is sufficient, for some past or future being to be *you*?¹

What is the connection between you now and you in the future? Why should you in the present put money aside for a you in the future if the connection is weak? And does how much you put away depend on the strength of that connection and its impact on your current thinking and behaviour.

We may take it for granted that the connections exist but it is not that simple. By way of analogy, Plutarch described how, when Theseus returned from slaying the Minotaur, the Athenians preserved his ship and as planks rotted replaced them with new ones. When the first plank was replaced, everyone agreed it was still the same ship. Adding a second plank made no difference either. At some point the Athenians may have replaced every plank in the ship. Was it a different ship? If so, at what point did it become one?

As Alan Bennett's vicar might have said, are we different selves? And at what point do we become one? After all, I am pretty much the same person I was yesterday, and the day before that. But am I the same person I was ten years ago; twenty years ago? And what is the connection between me now and me forty years ago? Likewise going forward.

The philosophers have called this the persistence problem and it is a difficult one. It matters because if I am going to put money away voluntarily now for later, I have to have some rationale for so doing. And if the future self is effectively a stranger to my current self, then it is going to be a hard sell, assuming I am not a miser who gets psychic returns from the act of saving money.

I could say to myself, "to hell with the future", I will do what I selfishly consider is best for me now. Or I can be prudent and cautious, squirrel money away, and be pathetically risk-averse.

What responsibility does the younger self owe to the older self? If I am twenty-six years old should I spend my money on sun, sea, surf and sex or save it for when I may be a doubly-incontinent, dementing old person whom I do not recognise as having any connection with my current self. If the older self is only vaguely connected to their present self, we had better be sure that we have a strong understanding of what will make the young self save for the benefit of the uncertain older self.

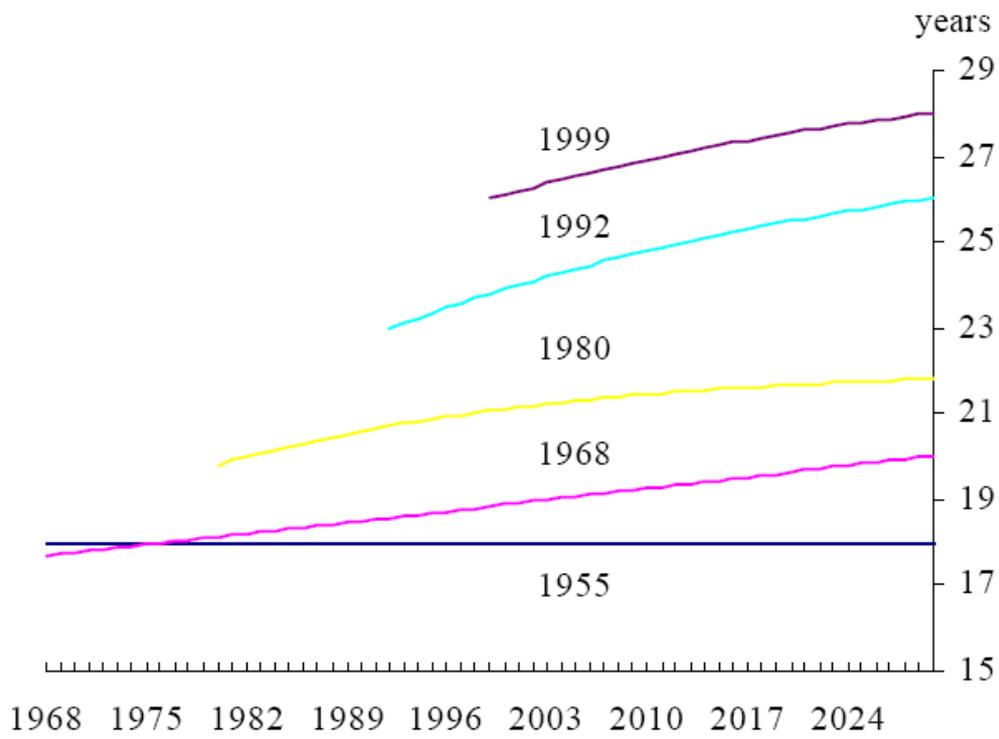
If the older self is in effect a stranger to the younger self then there is a need to protect the older self from the decisions of the younger self. Governments traditionally protect strangers and so the government should intervene to protect the interests of the older self by imposing a levy on the younger self that will be to the benefit of the older self. In other words, some form of ring-fenced compulsory saving or insurance to provide the older self with dignity, choice and care in later life. Instead we have the mistaken policy in terms of pensions.

We need to re-write the implicit inter-generational contract so that it acknowledges the changes of the last fifty years. But we need to go further. Combining these three perspectives allows us to come up with policy solutions that will not only improve the physical and social lives of older people but will enable us to integrate the generations into a healthy social polity.

We need a mixture of funding streams. An element of individual responsibility could be underpinned by an attachment to life-time working income collected through the tax system and ring-fenced for elder care- in other words a new income tax. Allied to it is inter-generational funding through the pay as you go taxation system as at present. And a new cohort based intra-generational levy on property, or capital tax, payable on the death of the last surviving partner which is used to pay for each cohort's care needs. This is not a 'mansion tax', though the rate could be variable. It is a universal tax on all residential property.

Such a combination means that funding is flexible and adjustable to cope with demand changes and contains an essential fairness that will help social cohesion and inter-generational solidarity. But perhaps more importantly, such an approach with its mix of collective and individual responsibility can be used as a means of providing better policy solutions for all aspects of an Ageing World.

ⁱ Reasons and Persons Derek Parfit for those interested in the issues – but it is a tough read



Source: Continuous Mortality Investigation, Actuarial Profession. Data are for United Kingdom policy holders of Actuarial Profession members.