

It is often asserted that economic inequality narrows after age 65 when benefit programs replace labor markets as principal income sources. However, analysis of recent Census data suggests inequality is greatest among elderly people. The worst off one-fifth of the elderly (disproportionately unmarried women, minorities, and the physically impaired) receives 5.5% of the elderly's total resources, whereas the best off one-fifth receives 46%. Equalizing effects of Social Security are more than outweighed by private pensions, asset income, and other sources. Findings suggest a process of cumulative economic advantage and disadvantage throughout the life course.

Key Words: Inequality, Income, Assets, Economics, Social Security

Cumulative Advantage, Cumulative Disadvantage, and Inequality Among Elderly People¹

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The distribution of economic well-being among persons of working age is determined mostly by the direct workings of the labor market, whereas elderly people rely primarily on public and private benefit programs. It has often been assumed that the latter income sources are distributed more equally than the former, and hence that economic inequality declines during the retirement years (Fuchs, 1984; Hurd & Shoven, 1985). It has also been argued that the trend in the elderly population's income has been toward greater equality (Pampel, 1981).

On the other hand, some researchers have questioned this common wisdom. Radner (1987) showed that the Gini ratio was .417 for persons 65 and older compared with a Gini of .398 for all persons under age 65. Taussig's estimates (1973) indicated that in 1967 inequality was higher among persons 65 and older than among nonelderly people. Reynolds and Smolensky (1977, p. 77) concluded, "Although net government output is distributed in a pro-poor fashion each year, the growth of government since 1950 failed to produce a more compact distribution." Appraising the level and trend of inequality is not a simple problem, as results are particularly sensitive to choices of income concept, unit of analysis, adjustment or nonadjustment for the known underreporting of unearned income in Census surveys, and other technical decisions taken in the analysis.

The continued existence of need among a significant portion of elderly people (Smeeding, 1977,

1986), despite the well-documented rise in the average income among this group, suggests that income inequality remains a problem. In this paper we use recent data on household income and wealth, adjusted for household size and underreporting, to characterize the level of inequality among the elderly population, to identify who are the poor and the well-off, and to evaluate the equalizing and unequalizing influences of various major income sources among them. We propose a framework for understanding inequality and need among elderly people, which we call the cumulative advantage/disadvantage model, and compare it to several alternative models. Finally, in discussing our results, we indicate how public policy may need to adapt to the changing realities of the economic well-being of the elderly population.

Models of Economic Well-Being and the Life Course

One interpretation of the distribution of economic well-being among elderly people, and its relationship to public policy, may be described as the "rising tide" model. This model suggests that because benefit programs account for a substantial share of elderly people's income, and are designed to alleviate need, a leveling process produces a narrowed distribution of income. An alternative model, which we call "cumulative advantage/disadvantage," focuses on the ways in which inequalities can be magnified throughout the life course. Those who are initially advantaged, for example, are more likely to receive a good education, leading to good jobs, leading to better health and better pension coverage, leading to higher savings and better postretirement benefit income. Which process predominates, of course, is an empirical question.

The rising tide model received some support in work by Hurd and Shoven (1985). In examining the

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inflation vulnerability of elders, they adjusted reported income for the insurance value of in-kind health benefits and the real implicit return on housing, finding that during the 10 years of the survey "real income of the lower tail of the distribution has increased. This is due to the sharp increase in SSI, Medicare, and Social Security for this population. . ." (p. 128). Hurd and Shoven did not, however, report on more comprehensive measures of overall inequality, such as the Gini ratio, in the income distribution. As a result, we cannot say this result is convincing evidence for the rising tide model.

Fuchs (1984, p. 158), nonetheless, cited their work in arguing that ". . . income is *more* equally distributed after age 65 than before that age." He concluded: "The principal reason for the narrowing of inequality after age 65 is that Social Security benefits become more important and labor income less important, and the former is distributed much more equally than the latter."

Henretta and Campbell (1976) interpreted the distribution of economic well-being in a way that contrasts sharply with the rising tide viewpoint. They argued that elderly people demonstrate "status maintenance," in which "the factors which determine income in retirement are the same ones that determine income before retirement" (p. 990). Thus, despite the number of factors that come into play after retirement, like Social Security, pensions, and health, the determinants of well-being do not change. Status maintenance implies that postretirement inequality represents a continued effect of inequalities generated by the labor market.

The cumulative advantage/disadvantage perspective suggests that some effects of inequalities are actually magnified with the passage of time. Thus, for example, a good "career" job may be distinguished from less "good" jobs more sharply by its benefits, such as pension entitlement, than by its salary. The holder of such a "good" job is more likely to be well-educated, to have a long-term attachment to the job and employer, to be male, and to be white.

The cumulative advantage/disadvantage perspective focuses attention on the very skewed postretirement distribution of such resources as private pensions and savings, and frames the question to what extent programs intended to ameliorate disadvantage counteract these cumulative effects. In this perspective, the overall distribution of well-being is investigated as a function of the separate impacts of the component sources. The perspective focuses on the differential distribution of various sources of economic well-being after retirement age, on the impact of particular benefit programs, and on the structure of retirement income programs.

Measuring Well-Being

Estimates of inequality among elderly people after adjustment for assets, household composition, underreporting, and other factors can be substantially different from estimates without such adjustment (Taussig, 1973; Crystal, 1986; Moon, 1977). Imple-

menting satisfactory approaches to the measurement problems is essential if reasonable estimates of distribution and program impact are to be made.

We use a measure of economic well-being that takes account of household size, underreporting, and assets. The adjustments made follow the method described in detail in Crystal and Shea (1989, in press). The data are from the Census Bureau's merged research file of the Survey of Income and Program Participation (SIPP), which combines information from three waves of SIPP's "1984 panel." This dataset provides information on more than 5,000 elderly individuals, as well as almost 40,000 nonelderly individuals. SIPP is a new longitudinal survey designed to be a major source of information on the demographic and economic situation of the United States (Kasprzyk & Herriot, 1986).

The Income Concept

In evaluating the distribution of well-being, an important choice is the selection of an income concept. We opt for a "household income of persons" concept, which is based on the person as the unit of analysis, and utilizes the household income reported by each elderly person sampled. Previous work often compares the income of households whose head is over 65 with the income of nonelderly-headed households. However, households headed by persons 65+ include many nonelderly persons but not all the elderly. Because the well-being of the elderly population is the concept we are trying to get at, we use a sample of persons that is statistically representative of the total elderly population.

Household Size and Underreporting

Using the household resources of persons requires adjustment for the size and composition of the household. Our approach inflates or deflates each person's income by the ratio of the poverty line for that person's household to the poverty line for a two-person household. Using this measure, for instance, a household of four requires 1.57 times the income of a two-person household to be evaluated as equally well off.

A more difficult adjustment issue is the well-documented problem of underreporting of certain income types, including pension and property income, in Census surveys. The phenomenon of underreporting is widely acknowledged (Steuerle, 1985; Jencks, 1987; Moon, 1977). Steuerle (1985, p. 94) noted: "The evidence is fairly conclusive: even though there is some bias to underreport for tax purposes, population estimates of income from property or of wealth are much higher when using tax return data than survey data." Comparisons of Census survey reports of some income sources to independent estimates of aggregate totals for those sources, from national accounts data, similarly indicate underreporting in the Census surveys.

Our approach, as proposed by Radner (1982), corrects for this by inflating each income source by its estimated extent of underreporting. We also were

able for some income sources to adjust for undercounting of recipients. We adjust for income sources that account for about 85% of all persons' income, and for which reliable independent estimates comparable to the SIPP data were available.

The Contribution of Assets to Economic Well-Being

Ownership of assets represents command over resources just as current income does. As Burkhauser, Butler, and Wilkinson (1985) noted, two persons with the same realized income but different wealth holdings command different potential consumption bundles.

Our approach to adjustment for assets is to treat the total net worth of the household as if it were an annuity that could be allocated over the remaining lifetime of the individual. We attempt to be conservative in making this adjustment through several means, including the use of a very low interest rate of 2%. Because underreporting has been documented with assets as with income, we follow an underreporting adjustment procedure similar to that employed for income.

In addition, we include only 70% of home equity in total net wealth. The 70% figure recognizes that home equity is not a liquid resource, though it can be tapped in part even without selling the home. Also, Moon (1977) has shown that including 70% of home equity in an annuity bears a rough correspondence to the flow of rental services that the home provides for the occupant, given reasonable assumptions about interest rates, life expectancy, and the age of the home.

Using the adjustment factors described above, we compute several measures of economic well-being. These include household income without adjustment; adjusted for household composition; adjusted for household composition and underreporting; and, finally, a fully adjusted, comprehensive income measure that takes account of assets as well.

Household composition, underreporting, and assets represent particularly important adjustments for comparison of economic well-being among age groups. In-kind benefits, tax burden, and leisure are among additional adjustments for which a case could be made, but which we did not make for both theoretical and practical reasons.

Although SIPP collected data on taxes, there is some doubt about the reliability of the responses. It is possible to simulate taxation, as has been done in some studies (Moon, 1977); however, such simulation lacks precision, particularly for groups with a high proportion of nonwage income. Tax rules affecting elderly people have been somewhat unstable over time, and data incorporating recent taxation changes are not yet available. Tax burden is somewhat less for the elderly than for the nonelderly; after-tax income in 1985 was estimated at 86% of total income for the elderly and 78% for all ages (U.S. Bureau of the Census, 1987). Thus, this adjustment would further increase the estimate of the elderly's average economic well-being relative to that of the

nonelderly; whether it would affect estimated inequality among elderly people more than estimated inequality among nonelderly people is less clear. Particularly given the reduced progressivity of the current federal income tax structure, it is unlikely that the substantive conclusions of the analysis would be different with adjustment for taxation, and we did not undertake this adjustment. Because the utility of leisure time varies widely with circumstances and adequate data are unavailable, we also concluded that adjustment for leisure would be impractical.

Some studies of income size and distribution have used an adjustment for in-kind benefits. For the elderly, such adjustments would be dominated by the value of Medicare benefits, given the large scale of that program. Adjustment for Medicare raises difficult problems of measurement, valuation, and allocation. Distribution of cost of care actually provided under Medicare is highly skewed — a small proportion of beneficiaries account for a large proportion of utilization — so the results of adjustment are highly dependent on the way in which the value of benefits is attributed to respondents. Including such benefits in the calculation would increase the relative well-being estimated for the elderly population. The effect on the distribution is more problematic, because it depends on exactly which measure of inequality is used and how the adjustment for in-kind benefits is made.

One possibility, the addition to the income measure of an estimate of actual benefits paid out to the individual, would have the perverse effect of making the sickest appear to be the most well off. Another approach, used by Hurd and Shoven (1985), is to add the insurance value (average reimbursement per Medicare recipient) to the income measure. As noted above, they report that this has an equalizing influence on the distribution. Attributing per capita governmental Medicare outlays to each elderly person, however, would overstate their contribution to the economic well-being of most beneficiaries, and would make elderly people appear artificially well off, even though their average out-of-pocket health care expenditures are higher than nonelderly people's, despite Medicare.

One other possible treatment of in-kind benefits is to make an estimate of the fungible value of such benefits (U.S. Bureau of the Census, 1987). This approach adds the value of benefits to the extent that they free up resources that would have been spent on medical care. Although the major in-kind benefit received by the elderly is Medicare, comparability among ages would also require that employer contributions to health insurance be adjusted for. Such an adjustment would be difficult to implement without the statistical matching of data — an expensive and complex procedure.

No matter what method and what measure of well-being is used, accounting for in-kind benefits would reduce estimated inequality among elderly people. The Census Bureau results, however, suggest that although calculation of in-kind benefits reduces in-

equality more among the aged, the differences would not reverse our conclusions. The Census Bureau results show that the inclusion of employer-provided health benefits and public in-kind transfers reduced the Gini ratio among all households by .022, reduced the Gini ratio among households with a member over age 65 by .031, and reduced the Gini ratio among households with a member over age 75 by .027. Based on our results below, we would argue that even after adjustment for in-kind benefits, inequality among persons 65–74 would be at least as high as among the general population, and inequality would be higher among the population 75 and older.

Results

The mean unadjusted household income of persons age 65 and older was \$23,905 (all amounts are in 1989 dollars), or 65% of the nonelderly average income. The ratio increases to 94% if we take into account the significantly smaller households of elderly people. An additional adjustment for underreporting increases the estimate by more than 17%, while increasing the average income of nonelderly people by less than 10%. With this adjustment factored in, mean income of elderly people was 103% of the nonelderly's. Finally, the adjustment for assets produces a mean adjusted income figure of \$35,510, 124% that of the nonelderly. These results are quite similar to the estimates made by Danziger and colleagues (1984) using data from the 1972–73 Consumer Expenditure Survey. They found that the ratio of mean income after taxes of the elderly to the nonelderly was .58 before adjustment using welfare ratios and .91 after such adjustment.

Table 1 shows the Gini ratio and share of income held by the bottom 40% and top 20% of the popula-

tion for each age group using all four measures of well-being. Note that for each measure, inequality is greater among the elderly than at any other adult age. Using fully adjusted income, income 4, inequality was least among persons age 35–44, where the poorest 40% had 18.4% of the adjusted income and the richest 20% had 40.2%. Inequality increased in each successive age group, and among the elderly as a whole, the worst off 40% shared only 16% of the elderly's total economic resources, whereas the best off 20% received 46%. At age 75 and older, inequality was even greater, with the poorest 40% of the population receiving 14.9% of the total and the richest 20% receiving 46.7%.

Stratification Among Elderly People

As demonstrated by these distributional findings, the favorable mean level of economic well-being among elderly people does not mean that the prob-

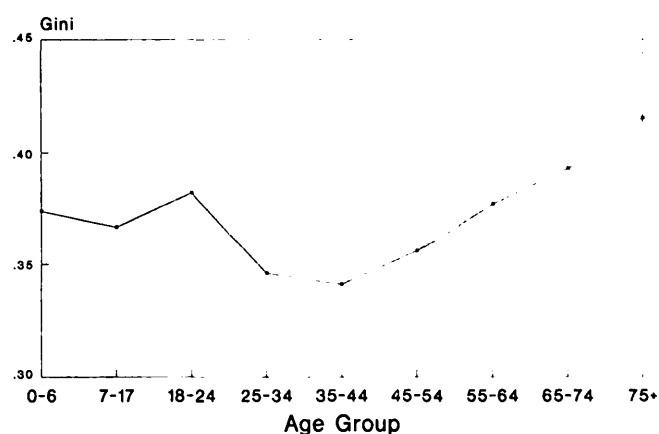


Figure 1. Gini ratio of individuals.

Table 1. Ginis and Income Shares of Quintiles by Age Group

Income ^a	Age group								
	0-6	7-17	18-24	25-34	35-44	45-54	55-64	65-74	75 +
Income 1									
Gini	.375	.370	.418	.334	.334	.353	.387	.400	.433
Income share of bottom 40%	16.0%	16.3%	13.7%	18.7%	18.8%	17.5%	15.9%	16.1%	14.6%
Income share of top 20%	41.9%	41.8%	45.6%	39.4%	39.5%	40.8%	43.8%	46.1%	49.2%
Income 2									
Gini	.385	.375	.386	.349	.345	.352	.376	.375	.386
Income share of bottom 40%	15.5%	16.0%	15.3%	17.9%	18.2%	17.6%	16.7%	17.7	17.0
Income share of top 20%	42.9%	42.2%	42.8%	40.6%	40.5%	40.8%	43.2%	44.5%	45.2%
Income 3									
Gini	.381	.372	.386	.349	.347	.355	.385	.404	.423
Income share of bottom 40%	15.8%	16.2%	15.4%	17.9%	18.1%	17.5%	16.3%	16.3%	15.2%
Income share of top 20%	42.6%	42.1%	42.9%	40.7%	40.6%	41.0%	43.9%	46.8%	48.4%
Income 4									
Gini	.374	.367	.382	.346	.341	.356	.377	.393	.415
Income share of bottom 40%	16.0%	16.5%	15.5%	18.1%	18.4%	17.6%	16.8%	16.8%	14.9%
Income share of top 20%	42.0%	41.6%	42.6%	40.4%	40.2%	41.2%	43.4%	45.5%	46.7%

^aIncome 1: Reported cash income; Income 2: Orshansky-adjusted cash income; Income 3: Income 2 adjusted for underreporting; Income 4: Income 3 minus property income plus annuity value of net worth.

Source: Authors' calculations from SIPP.

Table 2. Shares of Income by Income Source

Quintile ^a	Income source									
	SSI	Social Security	Interest income Type A ^b	Private pension income	Wage and salary	Annuity income	State & local pension	Interest income Type B ^c	Dividend income	Total income
Upper/lower ratio	0.02	1.72	11.35	15.96	27.04	30.28	71.09	72.72	95.46	8.42
Quintile										
Lower	70.4%	13.5%	4.0%	2.3%	1.8%	1.9%	0.7%	1.1%	0.8%	5.5%
Second	17.3	19.5	7.5	10.6	7.8	6.9	4.7	3.0	4.2	10.5
Third	7.5	21.4	15.5	22.8	16.2	12.7	11.5	4.1	8.1	15.7
Fourth	3.1	22.3	27.5	27.8	24.8	22.0	30.5	13.0	15.2	22.3
Upper	1.7	23.3	45.5	36.6	49.4	56.6	52.6	78.8	71.7	46.0
Total	100	100	100	100	100	100	100	100	100	100

^aPersons are ordered into quintiles by position in distribution of total income, using Income 4.

^bType A interest is income from savings accounts, CDs, checking accounts, and money market deposits.

^cType B interest is income from money market funds, corporate bonds, U.S. Government securities, and other investments.

Source: Authors' calculations from SIPP data.

lem of economic disadvantage after retirement age has been eliminated by the large increases in benefit programs of the past two decades. These averages, pulled up by the substantial resources of the best off quintile of elders, mask the presence of economic disadvantage among a substantial portion of the elderly population.

During 1983–1984, a lowest quintile elderly person in a two-person household had an average adjusted household income of \$9,691 and mean net worth of \$12,230, most of this tied up in home equity. Even in the second quintile, adjusted household income averaged only \$18,656, 53% of the mean for all elderly; net worth averaged \$47,299, only \$11,351 of which was in forms other than home equity. Members of both quintiles, accounting for 40% of the elderly population, had little discretionary income and lived close to the economic margin. In contrast, the upper quintile elderly individual in a two-person household had a fully adjusted household income of \$81,741, or 230% of the figure for all elderly, and net worth of \$386,880, with more than 70% of this being in forms more liquid than home equity. Whereas lowest quintile elderly people have asset resources that are not even 4% of those of the average elderly person, upper quintile elderly people have asset resources that are 280% of the average elderly person's assets.

Table 2 suggests why Social Security, despite its importance in the elderly's income stream, fails to generate a convergence of economic well-being. To construct Table 2 we ordered individuals by their position in the distribution of total income. Then we calculated the percentage of each income source received by each quintile. The first row of Table 2 presents an index of the contribution of each income source to equality or inequality, calculated as the ratio between income received from that source by the top quintile and that received by the lowest quintile. The bottom five rows show the percentages of the various income sources received by each quintile.

The three legs of elder support are Social Security, pension, and assets. Table 2 shows that Social Security and Supplemental Security income do tend to

increase equality. Social Security income is distributed more equally than total income; the poorest 20% of the elderly population receives 5.5% of the elderly's total income but 13.5% of their total Social Security income. The top quintile to bottom quintile ratio is only 1.72: for every \$1 that persons in the bottom quintile receive in Social Security income, persons in the top quintile receive \$1.72. SSI income is, as might be expected for a means-tested benefit, even more equalizing. (Small amounts of SSI, however, are received by individuals in the upper quintiles, probably reflecting either very high home equity or residence with a high-income relative.)

Despite the extensive nature of the old-age benefits system, only a very small percentage of these benefits are means-tested (Crystal, 1984). As Table 2 demonstrates, private and public employee pension income and asset income outweigh the equalizing effects of Social Security pensions and of means-tested benefits like SSI. The bottom quintile receives only 2.3% of private pension income and less than 1% of state and local pension income. For every dollar that the bottom quintile receives in private pension income, the upper quintile receives almost \$16. This system, which benefits from taxation advantages which create enormous "tax expenditures" (Crystal, 1984), is a major element in the generation of inequality among elderly people.

Asset income, except for interest from savings and similar bank accounts, is even more unequally distributed. Seventy-eight percent of interest income from assets such as municipal bonds accrues to the richest 20% of the elderly population. Clearly, the tax advantages established for these assets benefit a wealthy group of individuals. Furthermore, almost all dividend income is received by the upper two quintiles. For every dollar of dividend income received by persons in the lowest quintile, prosperous elders receive almost \$90.

In this skewed distribution of well-being, who are the prosperous and the penurious elderly? Table 3 shows the percentages of various groups among

Table 3. The Prosperous and Penurious Elderly

Characteristic	Upper quintile	Lower quintile	Elderly population
Age			
65–69	34.3%	25.3%	33.4%
70–74	24.1%	28.6%	27.9%
75–79	18.5%	23.3%	19.3%
80 and older	23.1%	22.8%	19.4%
Mean age	73.7	74.4	73.3
Female	50.1%	71.4%	59.2%
Marital status			
Married	67.9%	30.1%	53.7%
Widowed	23.9%	51.4%	34.7%
Divorced	2.3%	7.8%	4.5%
Separated	0.4%	3.1%	1.0%
Never married	5.5%	7.7%	6.1%
Household composition			
Living alone	15.3%	58.4%	32.3%
Mean household size	2.06	1.67	1.93
Health status			
Excellent	16.0%	4.5%	8.9%
Poor	8.6%	34.0%	18.2%
Race			
White	96.8%	77.0%	90.6%
Black	2.1%	21.3%	8.2%
Hispanic	1.8%	5.0%	2.7%
Education			
College	43.5%	6.7%	20.8%
Elementary school	16.2%	53.2%	33.1%

Source: Authors' calculations from SIPP data.

elderly people who are in the lowest and the highest income quintiles, as well as their representation among the total elderly population. These data show the disproportionate risk of economic privation experienced by women, the widowed, minorities, and those with limited formal education. Although women make up 59% of the elderly population, they account for more than 70% of the elderly population in the lowest quintile. The widowed elderly are 35% of the general population, but more than 50% of the population in the lowest quintile. (Note that the SIPP data are not as subject as annual surveys such as the CPS to the sort of errors noted in Burkhauser, Holden, & Myers, 1986. They recognized that the collection of income only from current household members led to large amounts of missing income for the newly widowed. Because the SIPP collects income and household composition data quarterly and asks for data on a monthly basis, it is not as subject to these problems as annual surveys.) Blacks represent 8.2% of the total population among elderly people but account for 21.3% of the lowest quintile. Although individuals with 8 or fewer years of education constitute 33.1% of the elderly population, they are 53.2% of the population in the lowest quintile.

Discussion

The assumption that inequality narrows after retirement age, because of the important role of benefit programs such as Social Security, is consistent with the intent of these age-tested programs. Social

Security, which provides a higher percentage of income replacement for lower income retirees than for those with high preretirement incomes, reflects the effort to strike a balance between a universalistic approach that builds a constituency across lines of economic class, and the goal of providing a floor of security under those in greatest need. The program does, indeed, help to redress what would otherwise be even starker disparities in economic circumstances among elderly people.

Aging policy encompasses much more than just public benefit programs, however; these represent only a portion of the resources elderly people depend on. Private pensions, previously a minor source of income, became a much more important factor for the elderly by the 1980s as cohorts benefiting from the growth of pension systems reached retirement age. These systems, however, benefited a minority who had held "good" jobs with good benefits for long enough to vest benefits. Assets took on increasing importance for those who were able to benefit from rising real estate and stock values, but again these benefits accrued mainly to those in the upper ranges of the income distribution. Similarly, retirement income systems of a discretionary nature — IRAs, Keogh plans, tax-advantaged salary deferral plans, and the like — took on growing importance. Thus, the leveling tendency of public benefits was outweighed by other economic trends.

Our study results suggest that the cumulative advantage-disadvantage model reasonably reflects the pattern of economic well-being after retirement age. Taken as a whole, income sources after retirement are determined to a substantial extent by preretirement economic experiences, so that inequalities before retirement age are perpetuated subsequently, as suggested by status maintenance theories. But in many instances, these inequalities are in fact exaggerated by cumulative effects over the passage of time. This reflects processes that vary somewhat from one type of economic resource to another, but that tend over time to magnify initial differences. The ability to buy rather than rent one's home has economic effects that are magnified over the years. Longer term economic impact of health status differences between socioeconomic groups may also become increasingly manifest in the older years. Private pensions have been characterized as a "winner take all" system in which a minority of "career" employees, often white and male, retire comfortably, whereas those with less stable work histories do not qualify for benefits (Crystal, 1984).

Returns to education, our analysis suggests, may be even greater after retirement than at working ages, since the higher prestige professional and technical jobs that draw those with the most education may differ from other positions in job security and benefits even more than in salary. Thus, the teacher's retirement may be more comfortable than the short-order cook's even when both had the same salary history.

The pattern of increased inequality among elderly people has important implications for social policy.

Particularly significant are the implications for tax preferences, or other forms of subsidization for various forms of "private social welfare" for the elderly. In the post-New Deal period, policies have frequently sought to encourage private provision for retirement rather than the expansion of public systems, particularly means-tested systems. Thus, private pensions, salary deferral programs, IRAs, Keogh programs, and a variety of others have received preferential tax treatment amounting to large-scale tax subsidization, and additional programs for privatization of social welfare provision for the aged — such as publicly subsidized long-term care insurance — are frequently proposed. Discussion occurs from time to time of various proposals for privatization of Social Security. Because benefits that depend on individual initiative are unlikely to be taken advantage of by those who must live from paycheck to paycheck, the distributional effects of such plans need to be carefully evaluated.

Despite the important role of public benefits in the support of elderly people, existing retirement income systems appear to produce on balance more inequality than the labor market produces for those of working age, as economic advantages and disadvantages cumulate over the life course. Not only are preretirement inequalities perpetuated, as suggested by "status maintenance" theories, but such inequalities tend to be exacerbated. The generally universalistic approach that has characterized American social policy for the elderly, as embodied in such programs as Social Security and Medicare, has had the great virtue of mobilizing a broad constituency behind benefit programs. Nevertheless, a balance between universalism and targeting to need is necessary. Given the great disparity of circumstances that now exists among the elderly, we would argue, the benefit programs that make up the means-tested safety net for the least well off elderly, such as Supplemental Security Income and Medicaid, deserve a higher priority for improvement. Our results suggest that the "rising tide" effects of these programs as currently structured fall short of counterbalancing the unequalizing effects of private benefits and asset accumulation. The pattern of cumulative advantage and disadvantage that emerges when data on economic well-being are carefully analyzed suggests the need to carefully consider the roles of public and of private benefits in our retirement income system, as

decisions are made about benefit structure, taxation, and other key policies affecting these systems.

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