

Predicaments in the futures of ageing democracies

Thomas Lindh*, Urban Lundberg

Institute for Futures Studies, Box 591, SE-101 31 Stockholm, Sweden

Available online 1 September 2007

Abstract

Ageing societies need to supply support to an ever growing segment of elderly dependent population without compromising the future sustainability for the currently young or unborn population. Current tendencies to focus on policy solutions like automatic stabilisers and norm-based pre-commitment strategies with decisions delegated to experts carry a high risk of political breakdown when the future population re-evaluates this with new information. Using the Swedish pension reform as a concrete example we show how the futurity problem associated with the current non-existence of the future population makes the political process prone to avoid bringing issues with very long horizons into the public debate. Alternative demographic scenarios for Sweden are used to illustrate how even very small variations in the assumptions of demographic projections lead to radically different future population structures. Hence, the majority preferences in a distant future cannot be foreseen. Adding to this, the complex interactions with a changing environment of technology and nature time-consistent decision making at the far future horizon must be virtually impossible. Thus, the sustainability of long-term social security systems requires constitutional balances that provide for orderly and continual adaptation rather than once-for-all fixes that are likely to be rejected by future electorates.

© 2007 Elsevier Ltd. All rights reserved.

Keywords: Ageing; Democracy; Pensions

1. Introduction

A democratic dilemma hides in the continuation of the ageing of industrialised economies as quick fixes are sought to prevent undue burdens on future generations. The dilemma has its roots in two fundamental facts of individual and social existence. On one hand, that people have a finite life span, and on the other hand that social institutions tend to be inertial and thereby introduce path dependence in social development. Decisions taken in the past impinge on and constrain the choices open to another population in the future.¹

If life would be infinite or there would be no such thing as path dependence, then our dilemma would vanish. The individual would suffer the consequences of his or her own decisions in the former case, and in the latter case every new generation would be able to make decisions of their own without being constrained by

*Corresponding author. Tel.: +46 8 4021216, +46 8 4021258; fax: +46 8 245014.

E-mail addresses: thomas.lindh@framtidsstudier.se (T. Lindh), urban.lundberg@framtidsstudier.se (U. Lundberg).

¹This is sometimes referred to as the ‘futurity’ problem (e.g. [1]). The future population does not exist when the decisions are made and more importantly its future composition and existence will be dependent on the decisions made.

decisions made by the previous generation. The constituency of a democracy is, of course, a bit more complex than an individual but essentially the same reasoning could be applied in this case.²

Most theories about social and economic development tend to adopt one or the other of these two abstractions, either implicitly or explicitly. However, two interconnected trends in today's world precipitate a need to re-evaluate the usefulness of such abstractions. Globalisation makes us more dependent on the decisions taken elsewhere in the world, and the ageing population makes larger demands on the resources of the future generations in order to maintain intergenerational transfer systems. It is the latter temporal process that we will focus on but most of our arguments would only further be underscored by the spatial process of globalisation.³

1.1. *The democratic dilemma*

Most people would agree that social policy needs to ensure some measure of predictability and stability in order for the individuals concerned to plan their lives and achieve some measure of social security. Political upheaval cannot suddenly change the rules of the game—unless, of course, such change is necessary to achieve some greater good. Thus, our issue is how and when this condition applies and how the political process is designed to handle it. This leads to the predicament we perceive: on one hand decisions impinging on future generations must be made, on the other hand the ageing population implies that such decisions must with a high probability be changed sooner or later without any possibility to foresee when and how at the current point in time.

While the basic problems of democratic decision making we perceive have been recognised in economic and political discourse,⁴ the particular source of such problems in demographic ageing has been treated either as an unfortunate accident or simply abstracted from. But an ageing demography is also a result of political and economic choices that affect the flows shaping our demography: fertility, migration and mortality. To speak with German sociologist Niklas Luhmann this highlights the need for a broader perspective on policy reform which recognises that 'political action in the welfare state has to begin from the fact that the circumstances toward which it directs its efforts are changed in unexpected ways by the effort itself' [4]. As argued below, there is no way in which experts of today can account for the wishes of the future generations, simply because there is no way in which they can describe the complex reality in which these wishes are bound to emerge, nor even know the identity or the number of the people entertaining these wishes.⁵ The approach of futures studies acknowledges this already by referring to the plural 'futures' and not to any one determinate 'future'.

1.2. *Pension systems*

The predicament we focus on concerns economic and social policy as a whole but to make the discussion tangible we illustrate our argument with a concrete example. The 1994 Swedish pension reform will serve our purpose here. Apart from us being familiar with it, it is also seen by many experts and policy makers as a 'policy model' for other countries to emulate. But as we argue it also demonstrates the democratic problems by its deliberate attempt to isolate the system from future political intervention in different ways. The functionality of a pension system will depend on the development of the overall economy, either in terms of the tax base (as is mainly the case in Sweden) or in terms of the financial markets.

Pension systems are therefore very relevant as examples of decisions made for very long horizons, difficult to change and where changes can foil the whole life plan of the individuals concerned. Individuals at the end of their life course have small or negligible opportunities to remake their life plan. Further on the pension systems also illustrate how our view of the future rests on a large number of assumptions about how the world

²Karlsson [2] touches on a similar democratic problem arising due to the short effective forecasting horizon regarding technological solutions.

³Not least has the futurity problem been underscored in discussions concerning environmental issues, especially the global scope has been brought to the fore by climate warming.

⁴Many of the basic arguments go back to the very beginnings of futures studies and Popper's [3] 1957 discussion about the dangers of historicism.

⁵On the issue of complexity and what can be known we recommend the special issue of *Futures* [5].

Download English Version:

<https://daneshyari.com/en/article/1016203>

Download Persian Version:

<https://daneshyari.com/article/1016203>

[Daneshyari.com](https://daneshyari.com)