

*Note: This article is the second of a three part series.*

## **The Politics of Social Security Reform Part Two: The “Misunderstanding”**

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The old Washington adage, “Where you stand depends on where you sit,” says a great deal about the legislative process on Capitol Hill. A member of Congress’ life experiences often leads to his or her choice of party and, once in Washington, most often party identification leads to a particular point of view on issues of public policy. For the most part elected officials in both parties are united in their concern for the common good. But their differing points of view are akin to the process of light shining through a prism. The prism takes a single beam and generates a variety of hues across the color spectrum. But if some were only going to follow the blue streaks of light while others only sought the red streaks, they would quickly move apart.

The ongoing debate on Social Security reform is an example of just such a diversion on the road to a solution. And at the heart of this parting of the ways are differing perceptions of just what role the Social Security system is supposed to play in our lives.

The current thinking among the reform movement embodied by President Bush and some GOP leaders in Congress is that Social Security is a “retirement system” that is not functioning properly. Once that assumption is made, it is quite logical that these reformers will set off down a path that seeks to build a better retirement plan. Thus the argument becomes one of how personal savings accounts will “build a better nest egg” for a beneficiary’s retirement years. And it logically follows that once you favor the “nest egg” approach, you begin to talk about structural changes to the system (i.e. a move from wage indexing to price indexing) that will in turn place even more reliance on the “nest egg” solution as the key to resolving the problem. Moving from “reform” to “change”, then to “structural change” is an enormous leap in Washington.

Before we set off down that path I’m suggesting that we pause a moment to remember what brought Social Security into being in the first place. The Great Depression decimated whole families, taking jobs and pensions, wiping out savings and throwing seniors in particular into a desperate poverty they had never known. The voices of desperate people reached out in vast numbers to the federal government for a lifeline. This had never happened before. In devising a solution to that problem the Roosevelt Administration followed the president’s wishes: create a program that functioned like a private insurance plan; keep it “simple;” make sure it wasn’t a “welfare” program; and above all, ensure that the aged can be assured of a safety net that will protect them from poverty in their retirement years. The system created to answer the original “crisis” was not about building a nest egg, passing wealth on to one’s heirs or encouraging citizens to “save.”

Given the context in which it was born and the original intent of its authors, it is not hard to see why Social Security has essentially remained unchanged, except for some minor tinkering, over the last 70 years. In fact, past adjustments to the system, in the 1970s and early 1980s, suggest a course of action today. Many economists are now arguing that a conservative approach, such as raising the Social Security tax from 12.4% to 12.6%, raising the cap on taxable income above the

current \$90,000, and slowly extending the age of full retirement to 67 years, would take care of the system's problems well beyond the foreseeable future. In effect, "tinkering" as opposed to "structural change."

Today Democrats stand publicly united in their opposition to attempts to make structural changes to the Social Security system. In part they view the president's plan as the latest resurfacing of an ongoing ideological argument with roots in conservative think tanks which have long argued for the dismantling of all federal social benefit programs. The president's opponents view GOP talk of building an "ownership society" as just the latest code words for that decades-long fight.

But privately there are quite a number of Democrats who would be open not only to the "tinkering" approach to fix Social Security but also to establishing some form of co-existing personal savings accounts, as long as their creation did not interfere with the system's promised benefits. Just a few years ago moderate Senate Democrats like the late Daniel Patrick Moynihan of New York and since-retired Bob Kerrey of Nebraska were making much the same argument. The challenge for the Bush Administration is to get from the "here" of the current deadlock to the "there" of a working compromise that will at once secure the system and take it forward into a new era.

In politics being able to "pivot" an argument takes a lot of skill. It requires a mastery of the terms of that argument and the ability to manipulate them in order to change public perceptions. But first must come the realization that furthering the current argument is a losing proposition. In other words, the first step is coming to grips with the fact that it's time to use the lemons you're stuck with to make lemonade.

Perhaps a first move for the president is a step back from that path that takes him to defining Social Security as something that it is not. A reiteration of the system's basic purpose might be just the place to begin to bring both sides back to the table.

*Next: Reforming the system and providing for increased savings.*

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