

CHAPTER 17

From FDR's Vision to Bush's Gamble

On June 28, 1934, the day before President Roosevelt signed the executive order establishing the Committee on Economic Security, he spoke to the nation on the radio in one of his famous fireside chats. Roosevelt explained his reason for proposing Social Security,

[W]e must...look to the larger future.... We seek the security of the men, women, and children of the Nation. That security involves...[using] the agencies of Government to assist in the establishment of means to provide sound and adequate protection against the vicissitudes of modern life—in other words, social insurance.

Seventy years later, Social Security provides that sound protection against life's vicissitudes. Americans can count on Social Security's dependable monthly benefit checks both in the normal course of their aging and in times of tragedy—even during a nationwide emergency, as the program's admirable response to the terrorist attack of September 11, 2001, so recently demonstrated.

Workers have no guarantee, of course, against tragedy itself. Today, according to the Social Security actuaries, an American worker age 20 has a 20 percent chance of dying before reaching retirement age. That same worker has a 30 percent chance of becoming disabled before retirement age. But tragedy no longer brings destitution, as it did Mrs. Rogalas and

her five children when, in 1906, her husband Adam was killed in a workplace accident. Now, if a 30-year old worker making an annual salary of about \$27,000 dies and leaves behind a wife and two young children, Social Security provides the family with about \$380,000 of life insurance benefits. That same worker is holding, through Social Security, a disability insurance policy with a present value of over \$365,000.

In addition, Social Security provides workers a foundation of support on which to build an adequate level of retirement income. The benefits were conceptualized as a floor of protection on which private pensions and individual savings would be built.

For many citizens who have little or no employer supplement and few savings, Social Security is the difference between destitution and some measure of freedom and independence in old age. For everyone, the program is a safety net, when all else fails.

John J. Pinto, a retired pilot, was entitled to a substantial pension from his employer, United Airlines. Pinto had earned the promise of retirement income by bargaining away some of his salary. But the airline declared bankruptcy and defaulted on its pension obligations. Pinto, who now is forced to look for a new job because he is beyond the mandatory retirement age for pilots, confessed, "The last thing I thought was that I would depend on Social Security for the cornerstone of my retirement."

The implementation of Roosevelt's vision—sound and adequate protection for workers and their families in the event of disability, aging, or death—has transformed society. The world of poorhouses and elderly parents moving in with adult children has been replaced by an era of financial independence and dignity in old age. Milton Friedman, the Cato Institute, and other libertarians who have opposed the program throughout its history claim that Social Security curtails freedom. In truth, it does the opposite.

People who have independent income have more freedom, not less. They can choose where they want to live rather than going, hat in hand, to family members. Social Security beneficiaries have the freedom from worry that comes with a stable source of income. Independence and financial security in the aftermath of misfortune and in old age are blessings that exist today largely because of Social Security.

According to a 2005 report of the Center on Budget and Policy Priorities, a nonprofit, nonpartisan research organization, "Leaving aside Social

Security income, nearly one of every two elderly people—46.8 percent—has income below the poverty line.” That percentage is strikingly similar to the pre-Social Security numbers. Nationwide surveys were not conducted at that time, but some states had gathered data. In 1934, Roosevelt’s Committee on Economic Security canvassed the available statistics and reported, “Connecticut (1932), New York (1929) and Wisconsin (1925) found that nearly 50% of their aged population (65 years of age and over) had less than subsistence income.” But Social Security has changed that. With Social Security, only 1 out of every 12 elderly persons, or 8.7 percent, is poor.

Because of the security it provides and the freedom it offers, Social Security has the overwhelming support of all Americans, with the exception of “a tiny splinter group,” as President Eisenhower called those opposed to Social Security in his day. But now a member of that tiny splinter group—in ironic prescience, a group Eisenhower described as including “a few... Texas oil millionaires”—has become the president of the United States.

Breaking ranks with every former president, Republican and Democratic alike, President George W. Bush is engaged in a high-profile campaign to undo Social Security. He hopes to accomplish what has eluded his ideological brethren who fought for similar ends over the last 70 years. Like Representative Carl Curtis in the late 1940s and early 1950s, Bush seeks to curtail the benefits of all but the lowest-paid workers, so that all beneficiaries would receive meager, basically flat benefits, largely unrelated to earnings. Like the president’s ideological predecessors in the 1930s and 1940s, he wants all but the poorest workers to be primarily on their own—this time with the added twist of individual private investment accounts. His revisions would fundamentally alter the philosophy that underlies Social Security, a philosophy that has guided the program’s policy makers throughout its history and kept it strong.

Perhaps having learned from the past, President Bush has cleverly avoided attacking Social Security on ideological grounds. Rather, he has endeavored to sell the reduction in benefits as a reform that is progressive because it spares the benefits of the lowest-wage workers. He holds out the hope of large gains with his talk of individual investment in the stock market. He even praises Franklin Roosevelt, the person Bush once called a “socialist,” for his creation of Social Security. Instead of a frontal assault

on the ideology of the program, President Bush seeks to convince Americans that Social Security is outmoded and unsustainable.

While President Bush will most likely fail in his quest to restructure Social Security, he and the Leninist strategists who support him have already succeeded in undermining a fundamental benefit that Social Security is intended to provide: security. President Roosevelt envisioned much more than a program that would keep people out of poverty, or even one that provided wage replacement up and down the income scale when work was no longer possible. Roosevelt wanted beneficiaries of the program—virtually every man, woman, and child in the United States—to have the confidence and peace of mind that they would be financially secure at retirement and in the event of lost wages due to tragedy.

President Bush has toured the country delivering the subversive and erroneous message that Social Security is designed for the last century and unworkable for an aging population. The increased average life expectancy of Americans is one of the greatest accomplishments of human ingenuity and modern science. Yet President Bush and others seeking to shake confidence in Social Security refer to the increasing longevity of Americans as if it were an unwelcome burden.

The president's erroneous refrain that Social Security will be "bust" and "flat broke" has gone a long way in elevating anxiety and fear about the future of the program. A New York Times/CBS News Poll conducted June 10 to 15, 2005, found, "Fifty-one percent of respondents said they did not think Social Security would have the money to pay the benefits they expect when they retire." A whopping 70 percent of those under age 45 held that belief.

Klaus Meyer, who lost a part of his private pension when his employer declared bankruptcy, captured the concern of many of his fellow Americans when he said, "[P]art of the retirement [benefit] I was promised...is gone. And now my Social Security is at risk. Where does it all end? You feel brutalized by the system." Meyer's concern about Social Security is a product of the Leninist strategy; if Americans cannot count on Social Security, perhaps they can be convinced to gamble on their future security with the president's private accounts.

In proposing such a radical change in Social Security, President Bush has taken on a gamble himself, a political gamble. He seeks to convey an

image of political courage when he says, "Social Security has been called the 'third rail of American politics....' But if you don't touch it, you can't fix it." What he misses is that Social Security has the reputation of political invulnerability because it embodies fundamental American values that have overwhelming support.

Those basic values are what have made Social Security so effective and so popular. In all the many amendments of Social Security, these basic principles and intrinsic values have remained unchanged. Social Security is a conservatively structured program. Hemmed in on the left by Dr. Townsend and his supporters who advocated unrealistically large grants to all the aged and on the right by many conservatives advocating only means-tested welfare, Social Security was created with basic American values in mind. Its financing has always been conservative, relying on a dedicated tax and equal contributions from employers and employees to keep costs in check. It was built on the premise of work. Only those who have worked long enough to gain insured status and those workers' dependents are eligible for benefits.

It has been prudently and conservatively managed. It has an early warning system through its annual trustees' reports and 75-year projections, so Congress knows well in advance if the program needs fine-tuning. And it is one of the most efficiently-run programs around, public or private, with 99 cents of every dollar collected paid out in benefits.

Social Security's protections extend beyond just the individual to the family, a point that those advocating individual accounts fail to acknowledge. Within four years of enactment, the Social Security Amendments of 1939 added protection for children and spouses. These provisions have prevented millions of children who have lost parents from being engulfed in poverty. They permit those who stay home to care for children, and so reduce their own earnings, to have reasonable standards of living when the workers on whom they depend grow old, become disabled, or die. And the provisions have been amended to provide the same financial protection to dependent spouses who become divorced after many years of marriage.

Though Social Security has prevented millions of people from falling into poverty, it is much more than a poverty program. It is a program of social insurance, which provides benefits as a matter of right, not as a result of need. Franklin Roosevelt envisioned a program in which all

workers paid in during their working years and drew benefits out when they were no longer working.

In converting that vision into reality, the staff of Roosevelt's Committee on Economic Security and those who followed recognized that benefits had to be adequate for those at the bottom rung of the economic ladder. The program would be unacceptable if low-income workers paid in over their working lives and then received nothing more than what was being provided down the street at the welfare office. To provide a meaningful return for those workers while restraining overall costs, the original program was designed with a weighted benefit formula that provided a higher return on first dollars earned.

In addition to providing adequate benefits to low-wage workers, the founders recognized that Social Security had to offer a fair return to higher-paid workers, if the program was to last. Social Security accomplishes both goals. The finely balanced formula produces benefits that are a higher proportion of a low-paid worker's wages, but a higher absolute dollar amount for higher-salaried workers who have contributed more dollars to the program during their working years. In that way, Social Security embodies goals of equity as well as adequacy.

In order to remain equitable, benefits for higher-income workers should not be cut. The financing shortfall facing Social Security should be kept in perspective and not used as an excuse to cut benefits or, worse, dismantle the program altogether. As Chapter 16 explains, Social Security's projected long-range deficit can be eliminated without benefit cuts, without Social Security tax rate increases, and indeed without any tax increases for about 94 percent of American workers.

The current debate over Social Security contains many hopeful signs. People have united over their support for the program. The generations have come together in their mutual sense of concern. And Americans have been reminded of Social Security's value. If the outcome of the current controversy is to reinforce people's appreciation for this vital institution, the debate will have provided a useful public service.

As James Roosevelt recently reminded people, "My grandfather, President Franklin D. Roosevelt, founded Social Security for very simple but important reasons. He believed that the only enemy that could ever defeat the United States of America was fear itself. He and my grandmother, Eleanor, looked at America and found fear of want."

Bush's attack on Social Security is rooted in the politics of fear. But the history of Social Security should give every supporter of the program a sense of courage and confidence. Social Security has survived prior assaults on its integrity. Armed with proper insight and understanding, we Americans can assert our will and demand that the program envisioned by Franklin Roosevelt remain his enduring legacy. With that victory, Social Security can "provide sound and adequate protection against the vicissitudes of modern life" to our children, grandchildren, and all future generations.

