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A rich country can be more generous

By Gar Alperovitz

Listening to the debate between the Bush administration and even its most adventurous critics, one would imagine that only an extremely limited range of Social Security options is even conceivable. One would also imagine that we live in an extremely poor society that is ultimately going to have to find ways to squeeze its seniors financially or somehow we will all perish. The truth is radically different.

This is the wealthiest nation in the history of the world. A serious progressive strategy should go far beyond the current debate by building upon this self-evident fact. It should affirm the goal of a truly bountiful - rather than penny-pinching - future for its citizens when they retire.

If the United States does merely as well in the 21st century as it did during the difficult Depression and war-dominated 20th century, we Americans will be producing the equivalent of approximately \$1 million a year for every four people by century's end - and the top 1 percent of households will be making an estimated \$9 million to \$10 million. Clearly, if we so choose, we can afford a very, very generous plan.

Oddly, just about the only people who so far seem to recognize the obvious reality that a rich nation will be able to afford more rather than less as technological progress continues are a couple of maverick (but very high placed!) conservatives.

The Nobel Prize-winning conservative economist Robert Fogel has offered a comprehensive lifetime savings and investment plan that would start retirement at age 55. Unlike proposals by both liberals and other conservatives that would delay retirement and make people work longer in order to save money for the Social Security system, a major goal of the Fogel plan is to allow people to retire at a younger and younger age as the nation's wealth increases over the century. A tax of 2 percent or 3 percent "applied progressively to the top half of the income distribution" would aid those with low incomes.

Another leading conservative maverick, former Bush Treasury Secretary Paul H. O'Neill, has put forward a savings and investment plan that would produce the equivalent of a \$1 million annuity for every American - enough to easily guarantee \$50,000 or more a year. It would begin with those currently in the 18-35 age bracket and would be supplemented by federal contributions for low-income people. Like Fogel, O'Neill argues: "Those of us who are more fortunate can help those who are not."

Several progressives have suggested equity-increasing approaches that might usefully be combined with the basic Fogel and O'Neill concept. Hofstra University School of Law professor Leon Friedman, for instance, has proposed an annual 1 percent "net worth tax" on the top 1 percent of households in order to provide full Social Security financing - and to also help reduce the national debt. Such "wealth taxes" are common in virtually every other advanced industrial and post-industrial society.

A comprehensive plan by Colgate University economist Thomas Michl would ultimately establish a fully funded investment-based system (as opposed to the current "pay-as-you-go" Social Security design). This would include a broad range of stocks and bonds and would be financed by progressive income taxes and also by a new wealth tax.

A plan by New School University sociologist Robin Blackburn would expand Social Security, pool private pension plans in order to reduce risk, and institute a "share levvy" - an implicit wealth-like tax that would

require firms to issue and set aside stock equivalent to 10 percent to 20 percent of profits each year to increase pension fund capital.

A very general proposal to invest Social Security reserves that builds on current state pension fund precedents - and the Canadian national system - has been offered by Boston College management professor Alicia H. Munnell and Brookings fellow R. Kent Weaver. As they observe, public management of such plans is hardly "financial rocket science."

It's worth recalling, too, that the Roosevelt administration's Social Security program was originally based on a cautious investment approach - later abandoned because Keynesian economists worried that it was draining purchasing power from the 1930s economy. The Clinton administration also proposed a modestly progressive investment strategy of up to 14.6 percent of the Social Security Trust Fund.

What is striking is that such precedents and the bolder proposals on both right and left all agree, first, that a rich country can afford more rather than less for its seniors as time goes on; second, that taxing those at the very top for this purpose is obvious and appropriate; and third, that one or another form of investing makes sense financially if done under public authority.

Even the most adventurous Democrats are currently mainly huddled in a defensive posture as they try to resist the onslaught of the Bush challenge. Yes, a defense against the Bush strategy is necessary. But, no, it is not enough: What the right realized years ago is that the way forward is to begin laying bold proposals on the table. The question is how long it will take before progressive politicians start doing the same.

This is adapted from Gar Alperovitz's recent book "America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy." Gar Alperovitz is Lionel R. Bauman Professor of Political Economy at the University of Maryland.