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Social Security Overhaul is Long-Standing Conservative Dream

by Steven Thomma

WASHINGTON - The argument for dramatic change in Social Security is clear:

The promise of secure retirements is a "hoax." Taxes paid by workers are "wasted" by the government rather than prudently invested. And "the so-called reserve fund ... is no reserve at all" because it contains nothing but government IOUs.

President Bush? No, Republican presidential candidate Alf Landon and his party's platform in 1936.

Bush's proposal to overhaul Social Security wasn't born with the new forecasts of looming financial problems. It's the product of a conservative dream to undo the system that's as old as the program itself.

Conservatives started complaining that the system was a big-government boondoggle doomed to insolvency before the first check was sent out in January 1937. Their indictment has been part of conservative ideology ever since Barry Goldwater, whose doomed but defiant 1964 presidential campaign made him the father of the modern conservative movement, through Bush.

But it wasn't until relatively recently that conservatives saw a path to break the government's hold on Social Security. As envisioned in a 1983 master plan, the expansion of other private pension programs such as IRAs helped millions of Americans grow comfortable with the thought of making their own investments, and the bull markets of the '80s and '90s made those investments appear more lucrative than Social Security.

Still, the conservatives' goal throughout has been as much political as economic, as much about smaller government as bigger retirement checks. The only thing Bush has ruled out is the one thing that would grow the government system: higher taxes.

"Ever since the program was first created, conservatives understood it was a major expansion of the government," said Eric Patashnik, a political scientist at the University of Virginia. "And they've never liked that expansion."

Landon, of course, went on to lose the 1936 election in a landslide to Franklin D. Roosevelt, which reaffirmed the New Deal and set back the conservative cause severely. Just two years later, Roosevelt boasted that Social Security was already a "permanent" part of the political system.

Conservative opposition to Social Security all but disappeared from public debate for decades. Not until the 1960s did conservatives such as Goldwater and economist Milton Friedman open a new barrage of criticism.

"I wanted to make Social Security solvent, to improve it," Goldwater said. "The first thing wrong with Social Security is the fact that it is compulsory. Secondly, it is not actuarially sound: It promises more benefits to more people than the incomes collected will provide."

According to historian Michael Beschloss, Goldwater also said, "perhaps Social Security should be abolished."

Speaking for Goldwater in a 1964 televised speech that helped launch his own political career, Ronald Reagan endorsed the idea of turning retirement security over to the private sector.

"Can't we introduce voluntary features that would permit a citizen to do better on his own?" Reagan asked. "We are against forcing all citizens, regardless of need, into a compulsory government program."

Goldwater, like Landon, lost in a landslide.

Elected president himself 16 years later, Reagan refused to call for any privatizing of Social Security. Instead, he signed a 1983 bailout that increased taxes and raised the retirement age to shore up the program.

That was when conservatives recognized their need for a long-term strategy keyed to the idea of offering people the benefits of making more money in private accounts, while making that option feel more mainstream and less risky.

"It's really after that that conservatives, particularly libertarians, began plotting for Social Security's eventual demise," Patashnik said. "They started laying the groundwork for the effort we see today by President Bush."

"A lot of conservatives thought Social Security was an unjustified invasion into the private sector," said Peter Ferrera, who wrote a detailed paper proposing private accounts that was published by a libertarian research center, the Cato Institute, in 1980.

"But they weren't getting anywhere because that was all negative politics," Ferrera said. "Personal accounts would work because that's positive politics. It's all positive and populist. That's the way something can be accomplished."

Influenced by Ferrera, Cato published a second paper in 1983 that served as a political manifesto for turning over at least some of Social Security to the private sector.

It recommended:

- Consistent criticism of Social Security to undermine confidence in it.
- Building a coalition of supporters for private accounts, including banks and other financial institutions that would benefit from them.
- Assuring "those already retired or nearing retirement that their benefits will be paid in full."
- Legislation making private savings plans such as individual retirement accounts more available and thus more familiar.

Making it easier for more Americans to set up accounts, authors Stuart Butler and Peter Germanis said, would make "it in practice a small-scale, private Social Security system that can supplement the federal system ... we will meet the next financial crisis in Social Security with a private alternative ready in the wings, an alternative with which the public is familiar and comfortable and one that has the backing of a powerful political force."

At another point, they said that expanding the IRA accounts "is purely political. Expanding the IRA system in this way would make it a private prototype of Social Security."

One thing they couldn't plan, but which benefited them greatly, was the bull market of the '80s and '90s. Soaring stock prices drew more people into the markets and made investing very attractive. In the 20 years after 1983, the percentage of eligible employees investing in private 401(k) retirement accounts soared from 38 percent to 75 percent, according to the Profit Sharing/401(k) Council of America.

Whether conservatives are on the verge of success at last in their quest remains to be seen. In 1936, they had no idea how long it might take. By 1983, they knew it would take time.

"We must be prepared for a long campaign," Butler and Germanis wrote. "It could be many years before the conditions are such that a radical reform of Social Security is possible.

"But then, as Lenin well knew, to be a successful revolutionary, one must be patient and consistently plan for real reform."

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