THEODORE R. MARMOR
JERRY L. MASHAW

# Social Security

*Beyond the Rhetoric of Crisis*

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Social Security:
Beyond the Rhetoric of Crisis

STUDIES FROM THE PROJECT ON THE FEDERAL SOCIAL ROLE

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EDITED BY

THEODORE R. MARMOR

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PRINCETON UNIVERSITY PRESS

Published by Princeton University Press, 41 William Street, Princeton, New Jersey 08540
In the United Kingdom: Princeton University Press, Guildford, Surrey



This book has been composed in Linotron Sabon

Clothbound editions of Princeton University Press books are printed on acid-free paper, and binding materials are chosen for strength and durability. Paperbacks, although satisfactory for personal collections, are not usually suitable for library rebinding

Printed in the United States of America by Princeton University Press, Princeton, New Jersey

Designed by Laury A. Egan

Library of Congress Cataloging-in-Publication Data

Social security: beyond the rhetoric of crisis / edited by Theodore R. Marmor, Jerry L. Mashaw.
p. cm.—(Studies from the Project on the Federal Social Role)
Includes bibliographical references and index.
ISBN 0-691-07776-2 (alk. paper)  ISBN 0-691-02285-2 (pbk.)
1. Social security—United States. I. Marmor, Theodore R. II. Mashaw, Jerry L. III. Series.
HD7125.S5992 1988 368.4'3'00973—dc19
88-10238 CIP

Princeton Legacy Library edition 2017
Paperback ISBN: 978-0-691-60653-8
Hardcover ISBN: 978-0-691-65403-4

To the Memory of Wilbur J. Cohen and Robert M. Cover

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| | |
|---|---|
| AIME | Adjusted Indexed Monthly Earnings |
| ALJ | Administrative Law Judge |
| AMA | American Medical Association |
| CODA | Cash or Deferred Arrangement |
| CPI | Consumer Price Index |
| CDI | Continuing Disability Investigation |
| DDS | Disability Determination Service |
| DRG | Diagnosis Related Group |
| EITC | Earned Income Tax Credit |
| ERISA | Employee Retirement Income Security Act of 1974 |
| FICA | Federal Insurance Contributions Act, commonly referred to as the Social Security payroll tax |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| HCFA | Health Care Financing Administration |
| HEW | Department of Health, Education and Welfare (in 1978, with the creation of a separate Department of Education, became Department of Health and Human Services) |
| HHS | Department of Health and Human Services |
| IRA | Individual Retirement Account |
| MCPI | Medical Care Price Index |
| NHS | National Health Service (Britain) |
| OASI | Old Age and Survivors Insurance (Social Security from 1935 until the addition of disability insurance in the 1950s) |
| OASDI | Old Age, Survivors, and Disability Insurance |
| OASDHI | Old Age, Survivors, Disability, and Health Insurance (includes the Medicare program, added in 1965) |
| OECD | Organization for Economic Cooperation and Development (see note 8.6) |
| OHA | Office of Hearings and Appeals |
| OPEC | Oil Producing Energy Cartel |
| PCE | Personal Consumption Expenditures |
| PIA | Primary Insurance Amount |
| SERPS | State Earning-Related Pension Scheme (Britain) |
| SRA | Supplemental Retirement Account |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |

# FOREWORD

This book is one of several volumes based on activities sponsored by the Project on the Federal Social Role. The Project was a nonprofit, nonpartisan enterprise established in 1983 to stimulate innovative thinking about the future directions of federal social policy.

Americans are doubtless more preoccupied than any other people with questions about the fundamental purposes and directions of their national government. In part this concern reflects a healthy political culture. We are always searching for better ideas about government and always disagreeing about which ideas are best. In part, too, our concern reflects a longstanding ambivalence about the value of national institutions. We still honor the tradition of Thomas Jefferson, which presumes against an active federal role, in an era when programs and policies emanating from Washington permeate every aspect of our lives.

But while Americans never seem to tire of arguing about the proper role of national government, systematic thinking on this subject has been neglected in recent years. Scholars have produced a great deal of excellent research about specific policies and programs. But there has been too little careful study of what effect those measures, considered as a whole, have on the American people.

This neglect of the larger issue of public policy is deeply troubling. The federal social role is more than the sum of its parts. The various policies and programs that constitute it interact with each other in a great many ways. Collectively they have a far greater impact on our future as a nation than the study of particular issues can reveal.

More importantly, the specific measures of government are all parts of a broader commitment by the American people to employ their common resources toward achieving common goals. Only a strong sense of what those goals are and what overall directions of policy are required to achieve them can ensure that so large and diverse an enterprise as the federal government serves the general welfare.

The problems that arise when basic issues of purpose and direction are neglected have been vividly demonstrated in recent years. For half a century Americans supported an almost continual expansion of the federal social role. But the growth of federal activism slowed in the late 1970s and early 1980s, and there were dire predictions that national government had exhausted its possibilities as an instrument for social betterment. A period of reassessment followed. For over a decade, virtually every aspect of the social role was closely scrutinized by politicians, scholars, and the press.

As an exercise in public education, this reassessment was undoubtedly a success. But as an exercise in policy development it was a disappointment. No clear directions for the future emerged. The federal role was neither greatly augmented nor diminished; nor was it set on any new course. The nation remained locked in political stalemate.

Although periods of national stock-taking are often healthy, prolonged stalemate is a luxury that the United States cannot afford. While national policy has been standing still, major forces of change have been at work in our social and economic life. Transformations in the nature of our economy, evolving personal lifestyles, societal aging and worsening conditions for many of the poor are the largest and most visible developments. We are no longer the nation that we were a few decades ago, and because government pervades so many aspects of our lives, we need new measures to suit our new circumstances.

The recent reassessment of public policy failed to come to grips with the forces of social and economic change in large part because it proceeded in a piecemeal fashion. Debate was confined primarily to the merits and demerits of policies and programs already in place. As a result, the nation artificially constrained its options. We failed to examine carefully enough the need for major new initiatives by the federal government and ways to make them work.

In this static and backward-looking environment, destructive myths and misunderstandings found fertile ground—most notably the myth that there are severe limits to what activist government can achieve. This idea takes various forms, and in most of those forms it is seriously misleading. If our national history teaches us anything, it is that each generation is capable of accomplishing far more through the use of government than previous generations would have dreamed possible. History also teaches that we *must* accomplish more: that effective government is a never-ending process of responding to new needs and opportunities. This requires breaking with the ideas and patterns of the past. As often as not, the social role has evolved through large measures that defied past skepticism and cut across the categories of previous thought.

Washington, D.C

Forrest Chisman
Alan Pifer

# PREFACE

This volume grew out of an interdisciplinary reexamination of Social Security by Yale University faculty in law, economics, and political science. The Yale Project on Social Security, as it came to be known, began as a faculty seminar within the Institution for Social and Policy Studies in 1984–1985. With funds from both Alan Pifer and Forrest Chisman's Project on the Federal Social Role and the Ford Foundation, we broadened our effort to include faculty and student seminars and two major conferences. At its core was the group of faculty members whose papers are represented in this volume. Rudolf Klein and Michael O'Higgins of the University of Bath and Paul Starr of Princeton also gave lectures at our 1985 conference that, with revision, became chapters for this book. Bob Ball inaugurated both our faculty seminar and the conference lecture series.

The fiftieth anniversary of the Social Security Act of 1935 itself provided an occasion for discussion of how change and stability in the features of this now venerable institution might inform thought about its future. Our reexamination of Social Security programs, however, had sources other than the occasion of that important anniversary. In both seminars and conferences we explored what America's social insurance programs have meant historically, socially, economically, politically, and legally. Our aim was to understand and assess the possibilities and prospects for Social Security over the decades ahead, for Social Security is both a prominent and a puzzling feature of the American version of the welfare state.

Social insurance pensions—for retirement, disability, unemployment, and premature death—are crucial to the economic security of Americans but not well understood by them. As we began our studies, more than a decade of stagflation had prompted much commentary about America's welfare state. But a comparison of "informed" commentary, by both supporters and critics, with general public opinion revealed a paradox. Overall, Americans regarded Social Security programs as desirable but fiscally endangered. By contrast, the insiders' debate among policy professionals, academics, and political commentators revealed much less concern about impending financial disaster than about the proper form of American social insurance for the future. Moreover, a slightly harder look suggested that this simple, if paradoxical, disjunction overlay a much more variegated discussion with a shifting programmatic and political focus.

We began, thus, with puzzles and questions about a complex set of institutions operating in an even more complex polity. The essays that follow reveal some of that complexity. They also reveal a rather common vision. Optimistic if not quite congratulatory, that vision sees remarkable strengths in these obviously imperfect New Deal institutions and opportunities for further improvement as Americans move beyond the rhetoric of crisis that has in recent years surrounded, and to some degree obscured, them.

Enterprises of this kind inevitably generate complicated administrative tasks for which academic editors are hopelessly unsuited. We are fortunate to have the dedicated and ever competent assistance of Elizabeth Auld, and we warmly thank her for getting and keeping us organized. We also have a special debt to our financial benefactors, particularly Alan Pifer and Forrest Chisman, philanthropoids of social conviction, scholarly accomplishment, and personal grace. Alan and Forrest believed (sometimes more than we) that our partnership had something serious to say and gave us the time and the freedom to formulate what that was. We wish also to acknowledge general financial support from the Kaiser Family Foundation throughout the early stages of this project, and from the Rockefeller Foundation, in the final stages of manuscript editing and production.

Other scholars commented on these essays in generous detail; we acknowledge our considerable debt to them. They include: Henry Aaron, Bruce Ackerman, Jim Blumstein, Fay Cook, Martha Derthick, Sandy Jencks, Larry Mead, Jim Lorenz, Robert Morris, Alicia Munnell, Deborah Stone, and Michael Taussig. Felicity Skidmore's and Deborah Chassman's careful readings of the original papers and of the final manuscript, respectively, prevented needless errors, while Paul Pierson's research assistance both enriched our understanding and stimulated us to clarify and refine our views.

Finally, this book is dedicated to the memory of Robert Cover, whose premature death cut short the scholarly life of one of the nation's most imaginative students of public affairs, past and present, and to Wilbur Cohen, partner with our coauthor Ball in the shaping of Social Security institutions over the past fifty years. We only regret that neither were able to read the final product of our labors—the first as a major participant in its writing, the second as one who was intensely interested in our efforts and who understood our reasons for persisting.

*Theodore R. Marmor and Jerry L. Mashaw*
*New Haven, Connecticut*
*December 1987*

# Social Security:
# Beyond the Rhetoric of Crisis

# INTRODUCTION

For fifty years America has lived with the legacy of New Deal debates over American social policy. The report of the Committee on Economic Security in 1935 symbolized the terms of disagreement for a half-century of programmatic initiatives, funding disputes, and partisan clashes. Crudely put, the Democratic party championed the New Deal's paradigm of governmental responsibility for the maintenance of America's welfare state and celebrated the welfare state's expansion fiscally and programmatically. The Republican party's conservatives often attacked these New Deal premises but, until recently, reluctantly continued social welfare programs and financing in practice. In fact this partisan rhetoric obscured two other divisions of equal importance: on the one hand, the split between conservatives and liberals of whatever party and, on the other, the differences within the liberal camp between social insurance enthusiasts and those preoccupied with what is currently called the problem of the "underclass." The passage of Medicare in 1965, for instance, symbolized the triumph of social insurance liberals over the conservative coalition of Republicans and southern Democrats. The War on Poverty, like the Civil Rights Act of the same period, illustrated the priorities of those more preoccupied with the bottom of the income distribution than with expanding social insurance.

The complicated currents and countercurrents of the welfare state debate have often been suppressed precisely at the stage of programmatic innovation. In the New Deal, economic catastrophe held the reform coalition together despite intense conflict about the federal government's proper role. Postwar prosperity and the extraordinary majorities of the early Johnson administration blurred the divisions of creed, emphasis, and constituency between the social insurance advocates and the trustees for the poor. A common enemy like Barry Goldwater makes the Social Security Administration (SSA) and the Office of Economic Opportunity seem like joint ventures.

In the wake of the stagflation of the 1970s, however, the reform coalition has come apart. Just as the Social Security retirement system was more generously funded in 1972, the optimistic economic assumptions of its expansion were about to be undermined. And, with the Reagan election of 1980, a full-scale Republican assault on the New Deal legacy rekindled debate over the fundamental premises that support a generous and wide-ranging federal role in social policy. The particular struggles of the 1970s—Social Security pensions and their growth, hospital cost-containment, welfare reform, day care, regulation of private pensions, and the like—spilled over into a broad critique of American social policy. In the familiar language of American politics, there was a "crisis" and a concentrated demand for rethinking the structure of the American welfare state.

Politically, the prospects for thoughtful considerations of these issues are not encouraging. Our governmental institutions fragment attention in an already diverse polity, making regular incremental adjustment difficult and thoughtful reassessment nearly impossible. Legally, there is considerable flexibility for adjustments in the major spending programs, but socially, there is rigidity about, and resistance to, tinkering with the New Deal legacy. Thus those who want action, particularly reductions in benefits, resort to cries of "crisis" to prompt action. This familiar move elicits stubborn resistance among those determined to forestall what they view as inhumane dismantling of America's social insurance programs.

Moreover, only since the mid-1970s has the need for retrenchment been a plausible item on the programmatic agenda. At its outset and for some fifteen years thereafter, Social Security was a very small program. Indeed, until well after World War II, Social Security was in one sense an insurance company's ideal: a program with many contributors but few recipients of monthly checks. The major struggles about the program in its infancy had nothing to do with deficit anxieties but rather with the control of embarrassingly large surpluses. The solution, confirming the supremacy of the New Deal political coalition, was to broaden and expand benefits.

From the perspective of these early years, the growth of Social Security in the two decades after 1950 is particularly striking. Increases in Social Security's tax rate, numbers of beneficiaries, and employees between 1950 and 1970 concretely suggest the scale of change. In 1950, combined employer-employee contributions to Old Age and Survivors Insurance (OASI) amounted to 3 percent of the first $3,000 of income; two decades later, the figure was 8.4 percent on a taxable base of $7,800. By 1950, ten years after Social Security's first payments were made, only 16 percent of Americans over sixty-five were eligible for retirement benefits; in 1960 this figure had climbed to 70 percent, and by 1970 it was more than 90 percent.[1] Similarly dramatic changes are evident in the size of the Social Security Administration (SSA). In 1950, some twelve thousand persons

[1] Joseph A. Pechman, Henry J. Aaron, and Michael K. Taussig, *Social Security: Perspectives for Reform* (Washington, D.C.: Brookings Institution, 1968), Table B-8, and Peter J. Ferrara, *Social Security: The Inherent Contradiction* (San Francisco: Cato Institute, 1980), Tables 1 and 2. Robert M. Ball, *Social Security: Today and Tomorrow* (New York: Columbia University Press, 1978), p. 107.

worked for the SSA, split between the central office in Baltimore and the extended network of field offices. By 1970, this number had grown to slightly more than fifty thousand.[2] And, of course, these employees were now administering disability and medical insurance programs that had not existed two decades earlier. The postwar years had indeed provided an extended and happy adolescence for America's growing programs of social insurance.

But the decade of the 1970s was unkind to mature welfare states, and American Social Security programs were not exempt from the anxieties of maturity. Rapid inflation during the Vietnam War brought pressure to increase benefits. Amendments in 1972 to the original Social Security Act both increased benefits 20 percent across the board and automatically indexed future payments to inflation. But two developments brought unexpected controversy to this historically conventional expansion of social insurance benefits. Stagflation, which produced revenue losses simultaneously with benefit increases, ignited fears of financial insolvency and gave evidence of trust fund shortfalls by the mid-1970s. And a technical feature in the formula for indexing unexpectedly exacerbated the pressures by producing higher benefits than planned. The pressure of stagflation—highlighted and worsened by the oil shocks of 1973–1974 brought increased media attention to Social Security, hitherto generally ignored by the nation's political reporters. The potential "bankruptcy" of the system became a major news story.[3] By 1977 Congress had remedied the technical problem, but only after four years of persistent criticism that Social Security would, without change, "go broke." The 1977 amendments presumed that raising the level of worker income subject to Social Security taxes and the rate of those taxes (in 1981, 1985, and 1990)—along with some other technical but important adjustments—the Social Security system would remain "financially sound until the end of the century."[4]

The early 1980s, however, were years of further economic turmoil and heightened anxiety in American politics generally. The strains of the

[2] Of the 12,000 employees in 1950, just over 5,000 worked in Baltimore; of the 50,000 working for the SSA in 1970, almost 40 percent were in the central office. Social Security Administration, personal communication, June 1986.

[3] Publications ranging from *Time* magazine to *The New York Review of Books* treated the impending crisis in Social Security with such headlines as "What the Nation Can Afford: A Debt-threatened Dream" (*Time*, May 24, 1982) and "Social Security: The Coming Crash" (Peter G. Peterson, *The New York Review of Books*, Dec. 2, 1982. Ferrara, in *Social Security: The Inherent Contradiction*, devotes all of chapter 5 to the topic of Social Security and bankruptcy.

[4] Ben W. Heineman, Jr., and Curtis A. Hessler, *Memorandum for the President: A Strategic Approach to Domestic Affairs in the 1980s* (New York: Random House, 1980), p. 354.

1970s had not been removed by financial adjustments to Social Security in 1977. By the time of Reagan's election in 1980, fears for the solvency of American pensions were again quite widespread. Reagan's initial program of reform—retrenchment and increased military preparedness—brought Social Security back on the public agenda with a vengeance. His proposals for sharp reductions in future pensions were met with howls of protest, but the question of how to deal with the anticipated shortfall in Social Security receipts nevertheless mobilized action. Amid looming deficits and voter outrage, a special bipartisan Commission on Social Security (often referred to as the Greenspan Commission after its chairman, Alan Greenspan) was charged with bringing to the Congress and the President a plan to remove the specter of bankruptcy from Social Security. The result in 1983 was yet another fiscal reform—proposed by the Commission and rapidly passed by the Congress—brought the Social Security "trust funds" into balance for the foreseeable future.

By the mid-1980s, Social Security was once again immune from annual retrenchment. This shift was evident in the presidential election of 1984, when Ronald Reagan finally embraced Social Security with a clarity previously reserved to legatees of the New Deal. For all the uproar, the Social Security loyalists could rest content that the most fearful scenarios of disruption were averted. Yet a decade of crisis rhetoric—much of it focused on the fiscally modest but morally controversial welfare programs—had undeniably affected public perceptions.

The adjustments of 1982–1983 seemed to have had little impact on Americans' general sense of uneasiness about Social Security's future. The reform legislation made large changes in the present and future balance of revenues and outlays. Through the combination of tax increases and benefit reductions the commission's reforms will raise a projected $166 billion over the period from 1983 to 1989 and eliminate two-thirds of the projected seventy-five-year trust fund deficit.[5] But, as public opinion polls continue to show, the confidence of the citizenry in Social Security's future was hardly bolstered even as the financial strain of the system was reduced.[6] The rhetoric of crisis had made Social Security seem an endan-

[5] Alicia H. Munnell, "The Current Status of Social Security Financing." Paper presented at the Yale Faculty Seminar on Social Security, November 19, 1984. Revised version, December 19, 1984.

[6] Confidence in Social Security's future has fallen sharply in recent years. Among those aged 55 to 64 in 1984, 44 percent expressed confidence "in the future of the social security system," down sharply from the 74 percent expressing the same opinion in 1975. For those aged 18 to 24, there has been an even more dramatic diminution of confidence. In 1975, 45 percent were confident in the system's future, whereas in 1984 only 31 percent expressed that same confidence. Put another way, the number of people of all ages who expressed a lack of confidence in the future of Social Security increased from 37 percent in 1975 to

gered institution. It remains broadly, indeed overwhelmingly, supported, fiscally sound for the foreseeable future but still shrouded in fearfulness.[7]

## Social Security Reform: Beyond the Rhetoric of Crisis

The inquiry that resulted in this volume began in the immediate aftermath of the Greenspan Commission's report of 1983 and the subsequent 1983 Amendments to the Social Security Act. These conventional adjustments in benefits and taxes seemed to us not only to have failed to quell a decade-long national anxiety about the impending "collapse" of the Social Security system, but they also appeared to herald the emergence or reemergence of a more fundamental debate about the basic fairness and efficacy of the New Deal's social insurance vision. Some critics worried that Social Security pensions were depressing savings and reducing the share of capital investment in the economy. The advent of the Individual Retirement Account (IRA) had rekindled enthusiasm in some quarters for private, individual provision for old age. This was particularly true for the generations that would participate in a mature Social Security scheme with fewer contributing workers per elderly beneficiary. They would, therefore, not enjoy the extraordinarily generous benefits, compared to their contributions, that had been available through Social Security to their parents.

Nor was the specter of fiscal crisis fully expunged, even for the experts, by the 1983 amendments and the Greenspan Commission's projections. Some attacked these long-run projections as unrealistic. Others noted that explosive growth of the federal government's medical and disability programs might produce fiscal crisis even if Social Security retirement pension funds were solvent.

Neoconservative critics of Social Security, emboldened perhaps by the first Reagan victory and the public's apparent shift to the right on social policy issues, had begun to attack the basic structure of Social Security as an essentially fraudulent device to provide "welfare" under the guise of "social insurance." These critics attempted to expose Social Security both

almost 68 percent in 1984 ("Social Security: Young and Old View the System's Prospects," *Public Opinion*, April–May 1985, p. 22).

[7] Quite a number of books written in the 1980s have addressed the question of how this came to be and what it means for the sensible discussion of the place of social insurance in American life. See, for example, W. Andrew Achenbaum, *Social Security: Visions and Revisions* (New York: Cambridge University Press, 1986); Paul Light, *Artful Work: The Politics of Social Security Reform* (New York: Random House, 1985); Michael J. Boskin, *Too Many Promises: The Uncertain Future of Social Security* (Homewood, Ill.: Dow Jones-Irwin, 1986); Peter J. Ferrara, ed., *Social Security: Prospects for Real Reform* (Washington, D.C.: Cato Institute, 1985).

as a bad bargain for the ordinary wage earner and as having no more political legitimacy than the always-morally-controversial needs-tested welfare programs. And on both the left and the right arguments were used to criticize the profligacy of a program that failed to "target" restricted social welfare resources on the worst off in the society.

Yet the impression of political trouble, anxiety, and loss of legitimacy that these fiscal events and criticisms suggest was in some ways belied by the 1984 presidential elections. On the way to a humiliating defeat, Walter Mondale made one issue salient for the nation: Ronald Reagan's alleged antipathy to Social Security. In the process Reagan transformed himself, at least publicly, into the staunchest of Social Security's defenders. This lesson was hardly lost on the Congress. In budgets starved for fiscal protein, Social Security remains in the late 1980s a sacred cow. Social Security seems at once deeply troubled and politically untouchable.

Against this backdrop of contemporary concerns and events Social Security policy presents to the interested analyst a series of questions, indeed puzzles: Does Social Security as originally conceived and subsequently changed have a coherent and defensible ideology? If so, is that set of principles and beliefs adequate to the demands of a contemporary political environment that, during the Reagan years, seems to emphasize the privatization of many roles adopted by the modern welfare state? What explains the peculiarly feverish quality of recent Social Security politics—a politics that seems to consist of periodic bouts of high anxiety, claims of doom and crisis, rigid resistance to any alteration, eventual marginal adjustment, and continuing uncertainty about the future? What is the role of the "entitlement" or "social insurance" idea in this political dynamic? Is that idea a myth, an impediment to constructive change, or a valuable source of legitimacy and stability?

What is the relationship of Social Security policy to broader issues of fiscal and economic policy? Is Social Security a drain on the economy? Can compulsory social insurance be justified economically, politically, or philosophically? How do Social Security payroll taxes (FICA) fit into the general fabric of tax policy? Does tax policy with respect to IRAS and private pension plans, combined with Social Security OASI pensions, add up to a coherent retirement policy? Finally, how should we locate our concerns and debates about Social Security in the broader world of social welfare policy? Are our concerns necessarily parochial—born of unique political, economic and cultural circumstances? Or do the questions that arise for us correspond to those raised in other developed, democratic, welfare states?

These were the sorts of questions we debated in seminars, addressed in conferences, and treated in the papers that follow. We do not have answers for all of them, and some of the answers given are perhaps more tentatively held than expressed. Yet a sense of confidence about the basic structure of American Social Security and a sense of optimism about its future possibilities is discernable in these pages. Indeed, this overall perception is quite striking given the gloomy, if not misanthropic, view of American Social Security now fashionable in some circles.

## The Organization of this Book

Thematically, the essays in this volume can be grouped into four general categories. The first group (Ball, Tobin, and Cover) addresses issues of the structure and legitimacy of Social Security from three different perspectives: historical, contemporary, and constitutional. The second set of commentators (Graetz and Starr) focuses on the oldest and fiscally most substantial of Social Security's programs, retirement insurance, and assesses that program in the context of contemporary retirement policy and politics. In a third brace of chapters, Mashaw and Marmor address the development of two of the other major Social Security programs, disability insurance and medical insurance, both of which were included within the original New Deal conception of social insurance but which were added a quarter century or more after the Social Security Act of 1935. Finally, in the Klein and O'Higgins chapter, we step back from peculiarly American concerns to compare our recent preoccupations with developments in other western democracies. We cannot here do complete justice, of course, to the richness, persuasiveness, and insight of the essays that follow; however, we can describe in brief compass the general character of their arguments.

Robert Ball's historical treatment of the development of Social Security policy (Chapter 1) makes plain that the current Social Security system is not a hodge-podge of loosely connected programs incrementally developed over the past fifty years. The system instead responds in broad outline and much concrete detail to that envisioned in the 1930s blueprint for a comprehensive social insurance scheme. American social insurance has its own unique historical features, but it is also broadly similar to regimes established in almost all western democracies. The system has worked much as planned, and it seems to have retained its overwhelming political support precisely because the basic conception was politically sound. The risks insured against—retirement, death, disability, unemployment, and illness—are universal, and entitlement through earnings empowers rather than degrades. The program was and is premised on fundamental commitment to individual or family self-sufficiency and a market economy. To say that the redistributive features of Social Security make social insurance the same as welfare payments, as some recent articles have done, is about as sensible as saying that motels and airlines who give senior citizen and family discounts do not operate as private enterprises.

Although Ball celebrates the success of the original understanding of Social Security, he recognizes both the inevitability of change and the peculiar tensions generated by demographic shifts, fiscal strain, and the maturing of the system itself. However, he recommends an organizational rearrangement rather than a substantive policy response to these stresses. He favors relocating and reconstituting the Social Security Administration as a bipartisan board reporting directly to the President. In his view such a structure would facilitate the management of change, while simultaneously rebuilding public confidence in the system itself.

James Tobin's contribution (Chapter 2) addresses the economic justifications for current programs and their macroeconomic effects. Although he finds the basic scheme both economically sound and normatively appropriate, Tobin emphasizes the demographic strains on Social Security pensions that will materialize in the next century. The major problem, as Tobin sees it, is that a retirement program that is intentionally redistributive within generations is becoming unintentionally more redistributive across generations. Tobin's essay recommends not only marginal changes that will ameliorate some of these emerging problems, but also urges that, contrary to the planning horizons usual in American politics, we begin to debate soon how to deal with the fiscal crunch of the mid-twenty-first century. Do the coming generations wish to maintain the replacement ratio of pensions to earnings by raising payroll tax contribution rates or give up some benefits to avoid tax increases? Should we move further than is now planned to fund future benefits instead of relying mainly on "pay-as-you-go," as in the past? Should we credit individual participants with entitlements earned by their contributions, in "personal security accounts"? Some of these possible changes would require long transitions—as much as fifty years.

The discussion of substantial change in Social Security programs raises issues of both political feasibility and legal legitimacy. The very idea of social *security* entails entitlement—a concept of obvious political salience but uncertain legal import. Robert Cover's essay (Chapter 3) reveals, however, that notwithstanding the political rigidities that entitlement holders interject into any policy process, the constitutional position of Social Security policymaking is both secure and flexible. Having surmounted initial fears that the scheme was unconstitutional, Social Security now operates within a constitutional regime that provides Congress with capacious powers to alter the system. Although Social Security is a major element in the financial planning of every working family, the constitutional protections for the basic framework of economic security are less fulsome than for private pension or annuity benefits making signifi-