

The Devil's Tunes and the Sirens' Song

"Privatizing" Social Security

By **Bernard Roshco**

The Republican crusade to "privatize" Social Security is on hold. The GOP's pollsters have deduced that efforts to retire the program, which will be 65 years old in the millennial election year, could be a political minefield for Congressional candidates who campaign for the change-over. Even though poll questions evoke a seeming majority in favor of letting individuals invest money that now funds Social Security, the bedrock reality is that strengthening the system rouses stronger support than privatizing it.

The polling on Social Security illustrates the divergent uses of political polls. On this issue, polls have stimulated awareness of a complex and controversial policy proposal, created a semblance of support for a policy that is vaguely understood, and probed what the public really knows, thinks, and prefers.

Poll data on old-age pensions, and evidence of public ambivalence about aspects of the Social Security program, date back to 1935. That year, the Social Security system was inaugurated, and George Gallup introduced opinion polling as we know it. In December 1935, Gallup asked, "Are you in favor of government old-age pensions for needy persons?" ("Social Security" was not yet a popular usage.) "Yes," said 89%. A month later, Gallup got a seemingly contradictory response. He asked, "Do you think it is necessary at this time to balance the budget and start reducing the national debt?" "Yes," said 70%.

Some political operatives made the error of assuming the public had resolved clashing priorities with its answer to the second, isolated question. When the public said it wanted old-age pensions *and*—in the middle of a depression—debt reduction, it was expressing two rational wants. Why wouldn't a public mired in double-digit unemployment, having experienced a stock market crash and a bank holiday, worry the government was spending too much money?

In 1970, the Social Security Administration issued *Public Attitudes Toward Social Security: 1935-1965*. The study was conducted by the National Opinion Research Center. A NORC study director, Michael E. Shiltz, reviewed all the retrievable poll questions on the Social Security program. His guidelines for evaluating them still apply to any poll questions asking the public to choose among contending policy proposals:

Simple, isolated questions beget simple, isolated answers. A testing of public opinion on any com-

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plex issue must probe not only the public's reaction to a simplistically stated policy, but also the degree to which the public will accept various alternative solutions to the problem. It must attempt to learn whether there is a consensus as to purpose that transcends specific proposals, and what is the limit of the consensus.

The general public rarely, if ever, is fully enough informed to react logically to proposals or alternatives that involve a complex web of arguments.... Survey research analysts and elected public officials must learn to read beyond superficial poll data to discover the core of public sentiment and the tolerable limits of public policy.

A major issue such as Social Security reform generates a deluge of polls by news media, policy advocates, and public service organizations. The question wording ranges from measured to muddled to manipulative. Questions about the actual program have to reflect current regulations and conditions; but "privatization" exists only in the mind of whoever frames the questions. Economic realities don't constrain how a hypothetical program can be described.

For example, the CATO Institute, a privatization advocate, conducted a "Social Security Reform National Survey" in June 1996. The sample comprised 800 registered voters. Since approximately half the eligible voting age population does not turn out for elections, confining the sample to registered voters is astute in terms of electoral impact. But it excludes the views of a good many who would be most deeply affected by changes in the present system.

Interviewers for the CATO poll told respondents they would outline a seven-part proposal and asked, "After I read each section, please tell me whether you favor, oppose, or have no opinion of that specific aspect of the proposal:

- The current Social Security system would be reformed to allow people to invest the amount they now pay in Social Security to save for their own retirement [69% favored].
- You and your employer would still be required to pay the same amount in taxes, but instead of the money going to the government, you would be allowed to invest the money into your own personal retirement account, like an IRA or 401(K) [81% favored].

- You would control and decide how to invest the money in this account, with some restrictions to avoid very risky investments. The money in this account could be invested in stocks, bonds, or life insurance [76% favored].
- The money you invest could not be drawn until retirement [81% favored].
- Any money left in your account when you die becomes part of your estate and your heirs could inherit the money [88% favored].
- There would be no reduction in benefits for current Social Security recipients [79% favored].
- People would have the choice of staying in the current Social Security system or moving to the new privatized system. People who choose the new system will receive some benefits under the old system in recognition of what they have already paid in to the system [74% favored].”

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No hint was given of what comprised “very risky investments” or whether the government or some other entity would define and enforce the “restrictions” against them. Those who preferred the Social Security system were assured that privatization would not affect them. Those who have paid Social Security taxes could opt for privatization and still look forward to some Social Security income. Offered a cornucopia of cost-free benefits—including a possible bequest for heirs—at no discernible risk, respondents overwhelmingly approved.

A Yankelovich poll in January 1999 for CNN and *Time* posed the alternatives of stock market investment by government or individuals in sequential questions. First, respondents were asked, “Thinking about Social Security, do you favor or oppose allowing the federal government to invest a portion of the Social Security trust fund in the US stock market?” Government investment was opposed by 60% of Republicans (10% were not sure) and 51% of Democrats (12% not sure).

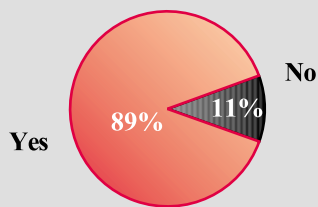
Respondents were next asked, “Do you favor or oppose allowing individuals to invest a portion of their Social Security taxes in the US stock market?” Permitting individual investment was favored by 60% of Democrats (8% were not sure) and 72% of Republicans (5% not sure).

A trio of questions in ICR’s December 1998 poll for the Associated Press illustrates one of polling’s basic truths: don’t assume you know the answer to an unasked question. In this instance, respondents were asked, initially, “As you probably know, various methods are being discussed to keep the Social Security system financially sound as an increasing number of retirees draw benefits. If you had to choose between the following two approaches, which would you prefer: maintaining the current system with some combination of higher payroll taxes and lower benefits [or] making fundamental changes in the current system?”

“Fundamental changes” had more than three times the support for “maintaining the current system” (72% vs. 22%). And why

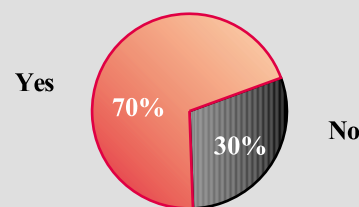
Figure 1

Question: Are you in favor of government old age pensions for needy persons?



Source: Survey by the Gallup Organization, December 11-21, 1935.

Question: Do you think it necessary at this time to balance the budget and start reducing the national debt?



Source: Survey by the Gallup Organization, December 30-January 5, 1936.

not? Respondents were offered the choice between a “sound” system without any specified cost—the “fundamental changes” were not even vaguely defined—or an equally “sound” system achieved by paying more and getting less.

The next question was, “I’m going to read some proposals that have been made for changes in the Social Security system. For each proposal, please tell me whether you favor it or oppose it.” Included among the options: “Letting workers shift some of their Social Security tax payments into personal retirement accounts that they would invest on their own.” It was favored by 74% and opposed by 22%. The opposing option, “Allowing the government to invest the money it holds in Social Security in the stock market,” was favored by 29% and opposed by 68%.

However, inferences about support for privatization were undercut by the response to the next question: “Considering how stocks and mutual funds can rise or fall in value, would you shift some of your Social Security into private investments if you could, or would that be too risky?” While 46% were prepared to diversify into the stock market, 51% were not.

All the variant questions do reveal one unmistakable preference: the public opposes making the federal government responsible for investing Social Security funds. If investing in the stock market becomes an option, the public prefers that individuals do it themselves. Given the doubts about the Social Security trust fund, that’s not surprising. The surprise is that support for letting others invest (74%) is substantially greater than interest in investing for oneself (46%).

The soft support for do-it-yourself investing is shown again by responses to a sequence of questions posed by Princeton Survey Research Associates in a poll for *Americans Discuss Social Security*. In August 1998, respondents were asked, “Do you favor or oppose... changing Social Security from a system where the government collects the taxes that workers and the employer contribute, to a system where individuals invest some of their payroll tax contributions themselves?” After indicating support or opposition to investment by individuals, the respondents were asked, “Do you strongly (favor/oppose) this proposal or moderately (favor/oppose) it?” A 52% majority favored individual investment (28% strongly, 24% moderately); a 38% minority opposed individual investment (22% strongly, 16% moderately).

Several questions later, respondents were asked, “We’d like your opinion on what policy makers’ priorities should be when they are making decisions about Social Security’s future: keeping Social Security as a program with a guaranteed monthly benefit based on a person’s earnings, [or] letting workers invest some of their own Social Security contributions themselves even though an exact benefit would not be guaranteed?” Given this trade-off, support shifts to 61% to 31% in favor of the guaranteed benefit.

In its report on this poll, entitled *Making Hard Choices: Options for Social Security*, Princeton Survey Research notes:

The contrast between this question and the question that simply asks whether the public favors or opposes the individual account idea demonstrates how powerful the policy tradeoffs are for the public. If one looks only at those who say they favor individual accounts, the group splits 47-46 when forced to choose between a guaranteed benefit and the individual account. Thus, half of those who say they favor such accounts defect to support the guaranteed benefit when pressed.

When the questions were repeated in February 1999, the responses were almost identical.

Another example of polling on alternative preferences comes from a poll for NBC and the *Wall Street Journal* conducted jointly by the firms of Peter Hart and Robert Teeter, who poll respectively for Democrats and Republicans. From their March 1999 polling sample, they selected respondents who were not yet retired and divided them into matching half-samples. Each was asked a separate question.

One half-sample was asked a question that had previously been asked in November 1979: “If you could choose whether or not you would be in the Social Security system, which would you choose—to be in the Social Security system and pay taxes, or to get out of the Social Security system and not pay taxes?” Fifty-one percent said they would be in the system and pay taxes, compared to 77% in 1979; and 44% said they would get out of the system and not pay taxes, as opposed to 19% in 1979. Faith in the Social Security program had evidently eroded in twenty years.

The other half-sample was asked a new question: “Do you think that people should or should not be required to pay Social Security taxes and be part of the system?” Seventy percent said people should be required to pay the taxes, while 26% said they should not.

Some may see this as inconsistency; others may see it as exemplifying Shiltz’s point about learning “to read beyond superficial poll data to discover the core of public sentiment.” If one has lost faith in the system, why not, if allowed, opt out? At the same time, one may prefer a system that is strengthened by the required participation of all.

Raising the retirement age evokes majority opposition; but giving the “right” reason for raising it notably reduces opposition. ICR’s Associated Press poll in December 1998 put it this way: “The current eligibility age for full Social Security retirement benefits is 65. But to help save money, it is scheduled to rise gradually to 67. Do you favor or oppose

further increasing the retirement age to 70?” Opposition was 80%. A poll for Fox News in March 1999 gave a different reason for the age rise; opposition, though still a majority, declined substantially: “The eligibility age for Social Security is gradually being raised to 67. If raising the age to 70 would help save Social Security, would you favor or oppose raising the age of eligibility?” Opposition declined to 63%.

“Saving” Social Security turns out to be a persuasive mantra. It provides, in Shiltz’s phrase, “the consensus as to purpose that transcends specific proposals.”

Does the public believe the system is close to breaking down? Two Gallup questions found that a sizeable majority believes the system faces a near-term emergency. In December 1998, respondents were asked, “Which of these statements do you think best describes the Social Security system today?” Fifteen percent said the system was in a state of crisis and 55% that it had major problems, as opposed to 23% who said it had minor problems, and 5% who said it had no problem.

The 70% who believed there was at least a major problem replicated the 67% in July 1998 who thought there was a major problem when asked, “Which statement concerning the Social Security system do you agree with more: it faces serious problems that must be dealt with by Congress in the next year (67%); [or] it has some problems, but they can be dealt with gradually by Congress over the next few years (29%).”

Differently worded questions make it impossible to assign percentages to preferences and priorities. But the responses show a “consensus as to purpose.” The public wants to maintain present benefit levels. It wants to minimize the sacrifices required to “save” the system. It wants, also, the assurance of minimal risk. It wants the gain intimated by the booming stock market; but, even more, it fears the pain of irretrievable loss, if the market collapses.

Writing 30 years ago, Michael E. Shiltz offered policy-makers this guidance: “Any given citizen, even reacting in the most informed manner, will have his own preferred mix of elements and, if given his option, will most likely oppose a plan that does not contain that precise mix. But by the same token, the same citizen is quite likely to endorse a legislative package that contains another mix of those elements.”

The devil has the best tunes, and the privatizers have the sirens’ song. The historic bull market and the promise of capital gains make Social Security benefits look paltry, especially to those who never knew a hibernating bear market. A good deal of support for privatization is based on the belief of younger workers that the Social Security system will collapse before they qualify for benefits.

A sizeable percentage of the public has long doubted the survival of Social Security. And the young have been more dubious than the old. In January 1982, the *Washington Post* poll asked, “Do you think Social Security will exist or not when you retire?” The overall result was an even split—47% thought the program would survive for them, and 47% thought it would not.

The *Post*’s then-director of polling, Barry Sussman, noted that the younger the respondents, the likelier the doubt that Social Security would be there for them: “About one-third of those between ages forty-five and sixty thought Social Security would be defunct when they retired.... Among those aged eighteen to thirty, three of every four said they would never get old-age benefits.”

Americans have long deemed the federal government a wastrel. Responding to one of the Gallup poll’s earliest questions, asked in October 1935, 60% said the government was spending “too much” for “relief and recovery;” only 9% said the government was spending “too little.” Such an assumption bolsters the belief that the Social Security Trust Fund is being despoiled. Nevertheless, the public is inclined to stick with what it has and what it knows, so long as it feels assured the system it considers broken will be fixed. Despite the temptations of privatization, the stronger preference is for the present system to be mended rather than ended. ●