

CATO INSTITUTE

POLICY FORUM

SOCIAL SECURITY AND AFRICAN AMERICANS

Race, Retirement, and Reform

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Opening Remarks:

Edward H. Crane,

President, Cato Institute

The Cato Institute

F.A. Hayek Auditorium

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## P R O C E E D I N G S

MR. CRANE: Thank you. It does seem just like yesterday that I did co-found the Cato Institute. It was 25 years ago.

I want to tell Harry Alford that I very much appreciate the National Black Chamber cosponsoring this event with us. I think it is one of, I hope, future joint projects we can undertake.

As Casey said, Social Security privatization, or Social Security reform, has long been on the agenda of the Cato Institute. And I really do hope that one of the outgrowths of this seminar is going to be a more active discussion within the African American community of the importance of this issue to that community. I have spoken to my friends in the African American community for years and years about how important this issue is, and many of these individuals are here today who understand the importance of it.

Gwen King isn't here, but we are going to see her live in a few minutes. Ken Blackwell, Herman Cain, and Star Parker are individuals who keenly understand the significance of this issue.

One person who is not here, who I had hoped would be here, is Jesse Jackson, who we invited and I think we had an agreement and then something came up and he was not able to make it, which is too bad. I really wanted to hear what he had to say about this issue, because Jesse Jackson once famously said that capitalism without the capital is just another "ism." And I think that is a valid point. But too many people with his perspective, it seems to me, then also refuse to focus on wealth creation. If you are concerned about -- and legitimately people should be concerned about the wealth gap between rich and poor, between black and white -- the focus should be less on wealth redistribution, it seems to me, and more on wealth creation.

That is why Social Security is such an important issue. We are talking about taking 12.4 percent of a worker's income and not purchasing real assets with it but simply turning it over to the government. In 1960, in *Fleming v. Nestor*, the Supreme Court ruled that we have no right to the money we pay into Social Security -- which is really appalling when you think about it. The Supreme Court said, look, this is a social program of Congress, they can do what they want with it. This is not a contractual arrangement. You do not own the money you pay into Social Security, and what you get back is entirely up to 535 politicians.

Now, I would argue that there is no dignity in that kind of a system. And to me, that gets to the essence of what America is all about, which is respect for the dignity of individual human life. And to the extent we have more control over our own lives and are less dependent on others, it seems to me that life has more a sense of dignity.

I remember when I was an undergraduate at Berkeley, going to hear a speaker whom I had heard a lot about but had never heard speak before, at a rally in Sproul Plaza there. His name was Malcolm X. And he was really a riveting person. There was no sing-song poetry. There was just incisive analysis. And one of the things he said is that what's going on in the civil rights movement is extremely important, but be careful, because the politicians in Washington are going to use blacks in America as a political football to increase their own power. And that's very close to word for word what he said. I think it's true, and I think Social Security is a key example of that.

I do think America is based on respect for individual rights. Now, an African American can justly say, oh, yes, what about slavery? And of course that flew in the face of the principles that this country was founded on.

One of my favorite heroes is Frederick Douglass, a man who escaped from the South and slavery at a very young age and went to the North to be a leader in the abolitionist movement.

And he would take the Declaration of Independence, which he thought was a brilliant document, and wave it under the noses of his white friends who were abolitionists but who seemed not to want to do anything about it other than to say that they were for abolishing slavery. And he said that this is what America is about and we have to do something about it. I think that Douglass today would feel very strongly that independence and control over your own life was the essence of America.

The key thing from my perspective, and then I'll sit down and turn things over to Harry, is the two elements of Social Security that I think are important, and not just to African Americans but to all of us. First is ownership. It's our money. We earned it. We should be able to purchase real assets with it and not just turn it over to current spending, which is what happens today. And don't let people say, as too many of these opponents of privatization say, well, you're just going to gamble it away in the stock market. Privatization does not mean equities. It does not have to mean that.

Now, I used to be in the investment business, and I can tell you that there is no 20-year period in American history where equities have not outperformed all other broad investment vehicles, whether it's real estate or bonds or whatever. So, in a long-term investment program, it makes sense to buy equities. But if you don't want to, you don't have to. You can buy a bond

fund. You can buy a money market fund. You can buy insurance annuities. The point is they would be assets that you own. And that seems to me extremely important.

And the final point is, because you own those assets, you can leave them to your loved ones when you die. Today, if your children are grown and you die, the money goes "Poof." It may go to your spouse, but then his or her money that he or she owns goes away. It just disappears. And when both spouses are gone, the money is gone. What's up with that? Why can't we own that money and be able to leave it?

This is extremely important for people at the lower end of the economic ladder -- to be able to give their kids a leg up by leaving what would really amount to a significant amount of money if you look at how much you can accumulate by investing 12.5 percent every year.

With that, I will turn it over to Harry. I really do appreciate everybody being here and I look forward to talking to most of you during the course of the day.

Thank you.

(Applause.)

(End of Mr. Crane's remarks.)