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A QUARTERLY MESSAGE ON LIBERTY

The Third Rail Is Dead: Social Security and Election 2002

Sen. John Sununu and Rep. Pat Toomey

On December 4, 2002, the Cato Institute held a Forum in the Dirksen Senate Office Building titled, "The Third Rail Is Dead: Social Security and Election 2002." Along with Cato's Michael Tanner and pollster David Winston, the speakers were Rep. John Sununu (R-N.H.), newly elected to the U.S. Senate, and Rep. Pat Toomey (R-Pa.), who had just won a difficult reelection campaign. Both candidates had made Social Security choice part of their campaigns. Excerpts from their remarks follow.

John Sununu: A key message in my campaign was the importance of reforming and strengthening Social Security, the importance of empowering workers to control a little bit more of what they earn every week, to control what they are paying in Social Security taxes, and to establish a personal retirement account in order not just to strengthen the program but to make for a stronger retirement security system for our children and grandchildren.

The following are excerpts from remarks given by Senator-elect John Sununu (R-N.H.) and Rep. Pat Toomey (R-Pa.) at a Cato Institute Capitol Hill Forum on Social Security choice.



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I am not here to talk about the nuts and bolts of legislation. I think Cato has done a great job of talking about different options and opportunities and some of the fundamental values of modernization and personal accounts. What I thought I would do is talk about the politics, talk about the message, at least as I tried to portray it in my campaign, and why I think this issue cut in favor of those who supported individual accounts. I want to talk about why I think it will continue to resonate with voters, in 2004 or 2006 or until we get the job done.

So why was I successful? Why was Pat Toomey successful? Elizabeth Dole? Lindsey Graham? I am sure there were many others who were willing to talk about this issue in a direct way. Let me offer a couple of points that I think are fundamental, that everyone should understand in this day and age, but that, especially inside the Beltway, people either don't understand or don't care to admit.

First, voters are getting pretty smart, and I think they are getting smarter, especially

when it comes to political advertising or political communication. They have seen the attack ads and the negative ads. In a lot of the midterm races, they saw more than ever before. When a candidate tries to evoke an emotional response to an issue like this using demagoguery or attack ads or scare tactics, it's just not as effective as it used to be. That's especially true for retirees, who have seen all the scare tactics on Medicare, all the scare tactics on Social Security. If you are putting out a substantive message rather than an emotional scare, you will fare better today than you would have 10 years ago or 15 or 20 years ago. I think people would argue that the last time Social Security played effectively in a national campaign was in the mid-1980s, when a number of Republicans lost their seats because there was a big wave of attack ads and scare tactics about cutting Social Security benefits. But the electorate is smarter today than it has ever been before.

Second, voters actually care about issues. Social Security is an important issue, and any time you are out there talking about an issue that voters care about, if you are doing a good job, if you are speaking from the heart, if you are speaking from a set of principles and personal beliefs, you are going to do pretty well. That's not going to change, and I think that lays a pretty good foundation for people running for office if they want to take up this challenge.

Other reasons we were successful? Candidates who talked about Social Security modernization and personal accounts were offering a positive vision for the future. By contrast, what were my opponent and other Democrats saying? They were talking about what they were opposed to: "My opponent wants to cut Social Security benefits; I am opposed to personal accounts; let's talk about the next issue." That is not the kind of message, the tone,

that voters want to hear in connection with any issue. They want to hear what you are for, how you see the future unfolding, how you will be involved in shaping legislation, and whether you will be able to stand up and say that this is an important issue.

We see the trust fund being depleted over time; the problem is only going to get worse the longer we wait. Voters know that we need to do something about it, and we offered some ideas for doing something about it: let's give the youngest workers the option of controlling a portion of what they earn and putting it into retirement accounts that give them a

by and large, pundits and consultants in the past have said is a dangerous issue to talk about, we were providing leadership. I believe that voters use Social Security as a proxy for how you will lead on other issues. When a candidate stands up to talk about a tough issue that voters care about, and talks about it substantively, the voters walk away and say, "If he or she is willing to provide leadership on a tough issue like Social Security, then I can count on him, and I can be pretty confident that when it comes to health care reform or simplifying the tax code or education reform that he is going to provide leadership on that issue as well." And heck, if you are willing

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higher rate of return, that help increase personal savings, that empower the younger worker. We are going to have a system where we continue to have some guaranteed minimum benefit. We are going to protect the benefits of people who are retired today, but let's strengthen the system for future generations. One, that is a message. Two, it is a positive message. It is a substantive message. Message beats no message every time, and a positive vision beats a negative one every time as well.

Another important distinction was that just by standing up there on an issue that,

to step out there on Social Security, you are willing to step up on just about any issue that you think is important.

Now the challenge is to somehow translate that political success, that rhetorical success and the electoral success, into legislative success. And, in many ways, that is going to be at least as difficult as it has been to educate ourselves as candidates and to build on the success of organizations like Cato and others that have tried to educate America.

I think the biggest reason for optimism, at least here in Washington right now, is that, at heart, the White House

and the administration really do care about this issue. I think they are much more committed to it than many people on Capitol Hill would like to believe.

One of the most revealing moments for me on this issue came in the campaign when I was talking to a group of about 500 seniors at an AARP forum. And, as

Pat Toomey: In my campaign, Social Security reform was the centerpiece of a set of ideas. The campaign was all about promoting personal and economic freedom and the opportunity and prosperity that come with freedom.

The two big issues in the campaign were really reflections of the divergent



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4 you can imagine, it was mostly about Medicare, prescription drugs, and Social Security. My opponent talked about “cutting Social Security benefits” and “gambling it on the stock market,” and all the class warfare things we have all heard before. And when it was my turn to rebut I said, well, how many people out here have children? Their hands all went up. How many people have grandchildren? All the hands went up. How many people do not care about their children’s and their grandchildren’s retirement security? All the hands went down.

Asking that simple question of those in the audience — whether they are old or young — I think hits home. This is about doing the right thing from a public policy perspective, doing our job as legislators, and, in the end, having a system that really serves the country far better than we could imagine.

political philosophies of the candidates, and Social Security was the centerpiece of this discussion.

I have always believed that those who have suggested that Social Security reform is necessarily the third rail of American politics were really promulgating a slander against the senior citizens of America. It is really unfair, and I think it is very inaccurate.

Of course, these folks care about making sure that the benefits that they paid into the system are going to be there for them. But they care very, very much about their kids and their grandchildren as well. They want to know that you stand for a substantive program that is going to make this system viable for those kids and grandchildren that they care about, too.

Younger voters, famously, are extremely skeptical about the existing structure of the program. They are already really very

far along on this. But seniors can be made to understand, and I think already do understand, the need for the reform.

I think you have to realistically understand that you have to talk about an issue in a way that does not allow people to get any traction with the misleading messages that come out. The advertisements and the suggestions that we want to take Social Security money away were still tried in this last election cycle. Of course, we know that is kind of ridiculous. Republicans have been in control since 1995, and who isn't getting her Social Security check anymore? Who is getting a smaller check? Well, obviously, nobody. Among the reformers, who wants to pull the rug out from under anybody who is already retired or even close to retirement? Well, nobody. And we know that. But it is something that, in a political discussion and in a campaign, people need to be reminded of.

Once you have established that we are not talking about cutting benefits or changing the rules for people who are already retired, the other side finds itself, I think, in the indefensible position of justifying the status quo. When you talk about where we are going to be 15 years or 25

years or 35 years down the road, when you challenge them on that, where do they go?

People who want to just stick with the status quo are implicitly advocating a massive tax increase or a massive benefit cut, or both, and there is just no way around that. Well, neither of those is acceptable. Neither of those is appealing to anybody. That is why I think, politically, this is very much a winnable issue.

We have challenges in moving reform forward. Some of them arise from the fact that, while the impact of demagoguery has been diminished, it is not gone. There is still a lot of misunderstanding about the nature of the Social Security program.

To give you an example, I think most people do not really understand the difference between a pay-as-you-go system and a system that is funded by some other mechanism. I am convinced there are still people in Washington and the rest of the country who think that the Social Security Trust Fund consists of a cave in West Virginia where there are stacks of hundred-dollar bills, and when we run low on cash we drive out there and grab some of that. So, a lot of clarification is needed.

The final point I will make is a point that I tried to stress whenever I would speak about this to a group. It is one thing to talk about how important and how huge a problem this is for the federal government. And it is a huge problem, as we all know. If you do any kind of quantitative analysis, the present value of the shortfall is staggering. It makes the actual on-budget deficits really pale in comparison. There is an important reason to address this from a purely government financing point of view.

But I feel very strongly that there is a much bigger and even stronger reason to do

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this reform in the right way. And that is its power to liberate millions of American people. We have an opportunity to reform this program and allow people to accumulate savings. It would be the first time in the history of the world that average workers and low-income workers, people who today don't have enough money left over after they have paid their bills, could accumulate any savings.

If we reform this the right way, we give all of those people the opportunity to accumulate wealth in their own lifetime, to see that nest egg grow, to know that they were responsible for creating that nest egg that is available to be passed on to their kids, and to protect their retirement in a way that makes them independent of the political whims of Congress.

I think those changes — creating a society where everybody is an investor and

everybody is an owner and everybody is a capitalist — are enormously important, enormously beneficial for our entire country and, most of all, for the people in America who today do not have the opportunity to accumulate savings and accumulate wealth. I think that is, first and foremost, why we need to do this. The fact that it solves a major financial problem for the government is a great secondary benefit, but it is just that.

So I am going to urge my colleagues to move aggressively on this. I do not know what more we need to learn politically about this. I think what we need to do is to hold hearings. I think we should have a national debate about this. I think we should go on tours across America and discuss this. And we should mark up a bill and vote on a bill and pass a bill in the House.

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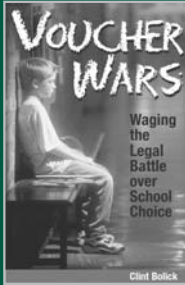
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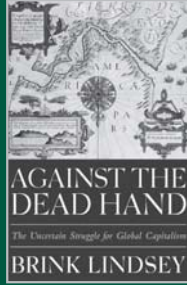


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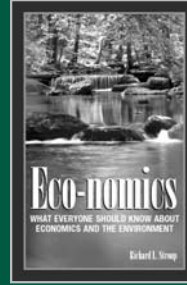
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