The State of the Debate

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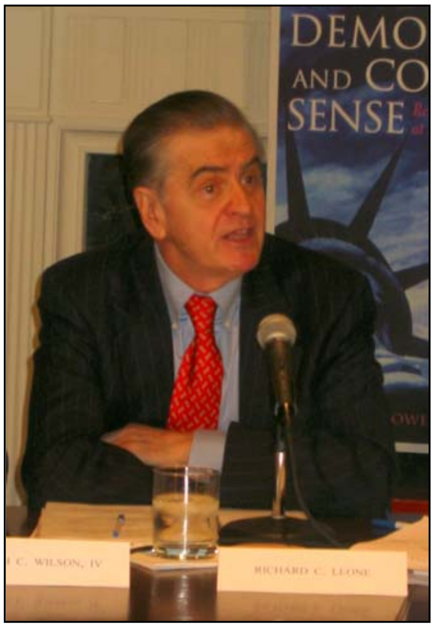

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I have a tricky assignment, which is on a panel that has three distinguished experts on international policy and national security policy, I'm supposed to cover the domestic waterfront. Alan has touched many of those bases and, I'm sure, provoked many questions and reactions in your mind. I will try to be very brief and move it along.

I should mention, because I know you'll feel compelled to go out and buy this volume, or get it, and read every essay, to mention that my essay is not about this topic at all. It's about the missing debate over the measures taken after 9/11 to "make America more secure." But I think the topics are related, and they're related in this way. If one accepts as a given that the course of domestic policy changed for a variety of reasons that are not simply about the rise of conservative talk show hosts, or the funding of conservative think tanks, but in fact a shift in the way the economy was functioning – a stagnation of wages for most Americans, an increase in job turmoil as globalization took place, and in addition, the inflation of the 1970s eroded confidence in a great many things – so that the instincts that Americans had coming out of the Great Depression and World War II to be fairly generous in terms of taxes with those less fortunate, because their incomes were growing rapidly, and the optimism they had had about the power of government and community action to solve problems was dissipated. Conventional argument, so I'll mention Vietnam and Watergate, but I think it was part of a larger set of developments.

And into that period of uncertainty, when people in a sense gradually lost their moorings, the argument that the problem was government, that the problem was common action, began to gain force. It appealed to the practical necessity to try to hold on to what you had, the insecurity caused not only by changes in the work force, but for – particularly for white males, who were one of the groups that shifted most – the dramatic change in the circumstances of African-Americans and women, which was a difficult transition for many white males. Many of them have not made it yet and probably will go to their graves, like longshoremen on long-term pensions, never really making the switch to the new economy of the United States.

In that context, I think one can argue that those who wanted to continue to make the argument for social programs and social democracy were lacking in convincing reasons for the groups that were feeling change and feeling uncertain about what the answers were. That was, I think, the same sort of situation that existed after 9/11, multiplied many-fold. We lost our moorings. Most of us did not know what we ought to do. We were eager to believe that the people in charge of our government did know. We yearned for strong leadership. We were extremely desirous of being led firmly and with great certainty and conviction in a world that seemed suddenly more dangerous and more risky. And I suppose we learned again to be careful what we wished for. But that has an impact on domestic policy because we're at one of those watersheds, similar to the one 40 years ago in the aftermath of Johnson's landslide in 1964. Although there's no landslide this time. Can you imagine the vote Johnson would have got if he'd had Diebold machines?

But that's another story. We are at one of those watersheds wherein there's a political opportunity to reshape the domestic architecture in this country and to reshape it in a particular way. And I will try to focus just on that.

There is a firm belief among a generation of new leaders in both parties that markets are the solution to most problems. Now, I'm actually a believer in markets. I worked on Wall Street for a long time and I believe in capitalism. I think it's the best system. But to paraphrase a great economist, Arthur Oaken, I believe there's a place for markets and I believe markets should be kept in their place. Markets are about competition and risk. If you take competition and risk out of markets, they don't work. Market economies don't promise equal results. Communism promised equal results – it didn't deliver. But markets don't do that. The market philosophy essentially says that it's worth the risk.

Now, against that risk, we try to balance, in Western societies or industrialized societies, a set of insurance policies, I'll call them, because we know that that risk will produce people who cannot deal with the risks of the market. There will be losers. We know there are health risks. It's routine for us to say there should be health insurance. In the auto insurance area we compel it. Even conservatives are in favor of the stranger in a car driving down the road towards them being compelled to have auto insurance, or not being permitted to drive. And we have a few other forms of insurance – less in this country than in most industrialized democracies. We tolerate a good deal more risk. We have Social Security, which is a fairly minimal safety net for people who are too old to work, or have disabilities, or are survivors of workers who've been deceased. We have Medicare. And we have some programs for children. We don't have a lot of others – we have a little unemployment insurance. Most states have borrowed heavily from their unemployment insurance funds, but it's still technically there, and we'll have to deal with that crisis.

We are told, according to the current prevailing political philosophy, that the insurance we have is too much and that because this insurance exists, people don't work as hard as they should. I always describe this as the theory that the poor need less in order to work hard, while the rich need more. We have to cut their taxes because they're not working as hard as they would because their taxes aren't high enough – which could be true, for all I know. As has been said more famously than I can, the rich are different from you and I. So maybe they do need more.

In any event, I will just spend a couple of minutes on two manifestations of this phenomenon I'm talking about. One is Social Security, which is very much in the news and is a topic we have spent a lot of time on. We're engaged in a great exercise in creating a fantasy in the United States right now, a fantasy that somehow if we put people into the markets, they'll all do well. As I've said earlier, that's impossible unless we make it not really a market situation. It can't work otherwise. Markets work just like lotteries – because they have big payoffs for some people, and that means not such big payoffs for other people.

I have to tell a little story. For a couple of years, I was on the National Gambling Impact Study Commission and we took testimony all over the country. And my favorite bit of testimony was a fellow who'd bankrupted himself three times gambling. And he was in front of us and we asked him why he kept doing that. And we had asked that question of many people. And his last bankruptcy had been on lotteries. And he said, "It isn't that I don't understand the odds technically. I'm pretty good at math. I understand the odds." He said, "But I also understand the odds for me. For me, it's 50-50. If I buy a ticket, I got a chance to get rich. If I don't buy a ticket, I have no chance."

So we're attracted to risk, but we know that the results are unequal. And yet we are being told that they can be made equal – that somehow, everybody can make out under this plan. There are many other problems with privatization and with some of the Social Security reforms, but there is no lie bigger than the lie that says people can all do well in the market. I will just mention a couple of factors.

Even market indexes are a lie in the sense that we can't all match them. The market index is a mathematical formula in which the composition of the index changes automatically from day-to-day, minute-to-minute during the day sometimes, without any transaction fees, without any slack in timing, without any of the ups and downs that inevitably occur when one person enters one day and another person, another day, let alone five years later than the other. The results turn out to be different. We actually know an enormous amount about what happens to individual investors and what happens to mutual funds and pooled funds. This is not something where we have the kind of ignorance that might be forgiven. And nobody knows more about those sorts of things than many of the people who are advocating this solution. And nobody knows more about how much money can be made out of this solution. I won't spend time on a lot of the other things.

Second fantasy is that somehow we can – if we take away things like the Social Security Trust Fund, government will not spend as much and we'll have restraint. Now, with Reagan and the two Bushes we've seen astronomical deficits – deficits unknown in this country other than in wartime, and even now exceeding wartime deficits. And they're the conservatives. There's not a piece of empirical evidence that that can possibly be true. We've got a huge trade deficit. We've got enormous personal debt burdens. We've got the greatest inequality in this country since before the Great Depression. We've got this enormous imbalance in our trade. We're headed towards a potential fiscal crisis. And we're being told that the answer is to create small accounts for individuals.

So I want to just close by saying I think that the topic that I wrote about in the book, "The Missing Debate," about things like the Patriot Act and the war in Iraq, is the same topic that we need to talk about when we talk about domestic issues. We're missing a serious debate. It may seem like there's a debate. It's basically an exchange of phrases, basically a press that covers it as though this fellow says two and two is four, but on the other side he says two and two is five. And they dismiss it as "that's politics." As though there were no objective truth, as though there were no real evidence, as though there were no arithmetic. What we have to do is come to some consensus about the fact that two and two are still four.