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For the Common Good: What Role for Social Insurance?

NASI's 19th Annual Conference

Session I: Revisiting the Ethical Basis of Social Insurance

Thursday, February 1, 2007

This session convened at 10:30 AM in the Ballroom of the
National Press Club, 529 14th Street, NW, Washington, DC.

Introductions

William Spriggs, Professor of Economics, Howard University

WILLIAM SPRIGGS: Okay. Good morning. I hope everyone enjoyed our lead-off speaker and you are all ready to begin our first session for the conference. We want to thank our sponsors for the conference, the foundations that have helped to do this. And those of us who are members of NASI always want to thank the staff of NASI for all that they do to make sure that this goes off well, and as a board member I want to thank the three co-chairs of this year's conference. It's a lot of work on their part as well to recruit the speakers and to put together a very fascinating program and they have done that for today.

So the first session is going to be looking at revisiting the ethical basis for social insurance, and I think that one of the reasons Americans have been so accepting of Social Security and it is such a popular program is that within the framework of social insurance it agrees with America's basic good side and has a strong ethical basis.

My name is William Spriggs. I'm the chair of the Department of Economics at Howard University and I am a member of the NASI board, and what we're going to do with this session is to lay the groundwork for everything that's going to come, so hopefully this will really introduce you to the subject in a deeper way. You have the detailed biographies of our speakers today and so to go straight to them and give you an opportunity to ask questions, I'm going to give a very perfunctory introduction of them. I apologize, because it doesn't do them justice. So please make sure and read their total bios.

We're going to have them be introduced and then they will come up to the podium without further introduction afterwards. Our first speaker is going to be Deborah Stone who is research professor of public policy and government at Dartmouth College. Our next speaker will be Bill Galston who was a senior fellow in the Brookings Institution Governance Studies program and College Park professor at the University of Maryland. Our third speaker will be Michael Baron who is a senior writer at U.S. News and World Report. And playing the role of last speaker will be Robert "Bob" Kuttner, who is the co-editor of the American Prospect. So following their presentations, we're going to have questions and answers. This will be transcribed. When we get to the questions and answers, I remind you again to please, come up to the microphones to ask your questions, so when they're done, if you will line up at the microphones to ask the question and we'll recognize you at the time.

So we're going to start with Deborah.

Social Insurance as Organized Altruism

Deborah Stone, Research Professor, Dartmouth College

DEBORAH STONE: Good morning. You're all getting the picture of how absolutely dependent we are on the NASI staff, so I'll only add to that that literally my presentation wouldn't be technically possible without the people here who helped me make my first PowerPoint presentation. (Laughter.)

There are two ways of understanding the moral purpose of insurance or to put it in another way, understanding how insurance helps us to be ethical people. In one view, the purpose of insurance is to take care of ourselves, really to promote our self interest. But this isn't selfishness in the classic sense because by taking care of ourselves we're being responsible and not being a burden on other people. In the other view, the purpose of insurance is to help us take care of other people in our community. This is really altruism, and it's the classic conception of morality – that being moral means taking account of the interests of others in addition to one's own self interest.

In the end, these two moral purposes are the same, or at least that's my argument. We can't take good care of ourselves without taking care of each other and our communities. Okay. That's my philosophy lecture, and now on to my data.

I'm going to look at these themes through advertisements promoting social insurance and commercial insurance. Social insurance, of all kinds of insurance, is meant to be altruistic. It's meant to help us take care of our fellow citizens. But ironically, it has always been sold politically on the self-interest theme. And surprisingly, commercial insurance, I find, has made both appeals, and in the last decade, the altruism frame has become more common in commercial insurance advertising.

"If you don't take risks, why should you pay for somebody else's?"

This advertisement up on the screen is from 1989. It was part of a series put out by the trade associations of health and life insurers, the national trade association, at a moment when experience-rating and risk-segmentation and pre-existing condition clauses were all the rage and were undoing community rating – and the Blue Cross Blue Shields. There was a backlash against that whole wave and this advertisement was the industry's response to that backlash. " If you don't take risks, why should you pay for somebody else's?" This is my favorite of all commercial insurance ads. My answer to this question is: this guy isn't up here doing extreme sports. He is building a daycare center – (laughs) – or an office building or a hotel or a Wal-Mart. He's doing something, he's contributing to your and my well being by taking these risks, and *that's* why we should pay for his insurance.

"Who's Eligible for Social Security?"

This is a Social Security ad from the same year, 1989, and on the surface it appears to be a kind of communal theme. The small print says they all are eligible for Social Security because Social Security isn't just for retirement, it's for people of all ages. And then it goes on to say: if your life is somehow cut short, your survivors will get benefits; if you incur an injury or an illness it prevents you from working, you'll get disability insurance. So it's this communal picture of diversity on the one hand, but the message is, the benefits will go to *you as an individual* and I think that's a very mixed message for social insurance.

"Myth/Fact" with image of Social Security Card

This is an ad ten years later I found in my local New Hampshire newspaper. Approximately eighty percent of ads I've seen for Social Security have pictures of a Social Security card. Pretty boring, and the message is also the same message as the earlier one. It says: Social Security isn't just a retirement program, nearly a third of people who get benefits aren't retirees – *even you* might benefit. Social insurance is in your self interest.

Thomas Nast Cartoon "Our Constant Traveling Companion"

Starting in the 19th century, insurance companies promoted insurance as the answer to death and terrible accidents. They were sowing fear. This is a Thomas Nast cartoon for an advertisement of the Travelers Insurance Company in *Harper's Weekly* and it's called "Death is Our Constant Traveling Companion."

Lightning Striking a House

This is from 1997. Davis Moss talked about how we all believe that we live a charmed life: it couldn't happen to me. And the theme of insurance advertising up until recently has been to pierce that illusion. You are not immune – same idea here. (Laughter.)

"You Think You're the Bear. We'd like to Suggest You're the Salmon"

"Be Your Own Rock"

This is a Prudential ad from 1996. Those of you who grew up in the '50s and '60s might remember the Prudential ads on television with the big pan of the Rock of Gibraltar. That was the symbol of Prudential: solid, permanent, indestructible, secure – that's us, Prudential. And this is a major shift in 1996 for Prudential to say, "Be your own rock. You don't need the Rock of Gibraltar."

This is, I think, indicative of what Jacob Hacker in his book *The Great Risk Shift* called the personal responsibility crusade – the idea that you can be your own rock. It's a total delusion. If you get help from an insurance company, Prudential or any other, it's other people's money that's going to help you. That's the difference between insurance and a savings account. No one can be their own rock.

In the next series I'll show you, insurance companies portray themselves as there to help you with all of life's troubles, as opposed to you being your own rock.

"Who's Picking Up Your Kid After the Prom?"

Here's an ambulance in the night and "who's picking up your kid after the prom?" Here, notice that life's troubles include not only your own mishaps, a tragedy that befalls you, but also mishaps to the people you care about and your kids in this case, and your caretaking responsibilities. This ad invokes all that.

"How Did They Do It?

This has a 1950s picture evoking a dad giving a piggyback ride to a couple of kids and the text says, "They had bills, grocery, electric, doctor, mortgages, but they had their priorities straight: taking care of you. How did they do it? Chances are they probably had someone helping them out; namely, an insurance agent." I love this. (Laughter.)

"And You Though She Was Overprotective?" (picture of grandmotherly woman)

The small text here says: "presenting long-term care insurance that's so protective, so secure, so down-right comforting, you'll think your mother underwrote it." (Laughter.) Here the insurance company is putting itself in the maternal relationship to you and this is good. Insurance is like having a family to love you and take care of you.

In the next series, insurance presents itself as helping you to take care of others and to meet your obligations to them. Also insurance helps you fill your own moral desires to care for others. There's a real moral message in this next set of ads.

"Help"

Here's a father with two kids and the small text says: you never thought you'd have kids. Now you have two. Carpools, braces, college – you're not living for yourself anymore. Your future is about their future, too, and keeping it safe is what CIGNA Group Insurance is about.

Father and son "This is my plan"

Blue Cross Blue Shield ad – father and son again: "with my Blue Cross plan, I have the power to choose what's right, so I can take charge of their health until they stand alone. This is my plan to take care of their mind, their body, their spirit, their health."

This ad – I love this because it's presenting the consumer of insurance as someone whose chief desire in life is to take care of other people and insurance helps them with that moral desire.

Father holding infant: "In 50 Years, the Roles Will Be Reversed"

The small text here explains that with the demographic shift, people are living longer, and it says: "you could find yourself being called upon to provide for your parents, just as they once provided for you. Our company can help you." The idea here is that we have moral obligations to others or moral desires, call it what you will, and insurance helps you meet your sense of yourself as a moral person.

"Help" [a second time]

This is a CIGNA ad. Employees in front of this big menacing machine and the text says: "moving your business away" – this is about globalization – "moving your business away from home opens a world of opportunities and to help smooth the way, CIGNA's there for you." The subtext is: CIGNA will help you take care of your employees who do dangerous work in strange and dangerous places.

Picture of therapist in pool with a child

In the last three that I'll show you, insurance companies are now promoting altruism, helping others and giving to your community. They're no longer promoting insurance, they're promoting altruism and community-building as ideas. The small text here says –note the rehabilitation therapist – and it says: "before he [this kid] can run, he has to walk, but before he can walk again someone's going to give him back the confidence to use his legs. We salute these everyday heroes and look out for them." This is Mutual of America saluting the idea of everyday altruism.

"Mrs. Charles' story has two happy endings."

This is a story about a teacher in a special needs class who brings her kids to a nursing home. It talks about how the elderly in nursing homes need companionship and the kids do all kinds of things and sing Christmas carols and make crafts, cheer up the residents, and they actually may receive more that they give in building their self esteem. State Farm gives the teacher a Good Neighbor Award. Again, State Farm is promoting the idea of everyday altruism.

Picture of firefighter holding baby girl

Here's the text of this last slide: "You who protect and serve are everyday heroes. Our commitment burns bright to help provide those who work in public service a future based on sound growth not unto risk. That's the spirit of America."

Wow—commercial insurance selling altruism!

In conclusion, I want to say we ought to think about promoting social insurance as altruism. The commercial companies recognize that people are altruistic as well as self-interested, and so they appeal to our moral desires to take care of others. I think as social insurance advocates, we should do the same. We should recognize, honor, and appeal to citizens' altruistic selves and get out the message that, in fact, we can take good care of ourselves and promote our own self-interest only by making sure that we take care of others and our community. Self-interest and altruism really merge into the same thing.

Thank you. (Applause.)

A New Social Contract?

William Galston, Senior Fellow of Governance Studies, Brookings Institution

WILLIAM GALSTON: The remarks that I had prepared for delivery were divided into two parts. The first setting the stage with some history and data, and the second confronting the moral questions directly. Fortunately, as the result of the introductory panel, I am now spared most of the responsibility of delivering the first section, which I can presuppose, so let me just give you the gist of it in one minute.

My thesis in the first section is that in, roughly speaking, the four decades from the beginning of the Second World War to the end of the 1970s and starting with the New Deal, we worked out a rough and ready social contract.

It was a social contract in which a number of different parties have reasonably well defined responsibilities: the public sector, the private sector and individuals. The public sector undertook responsibility for a range of programs that people who attend this conference know very well. I need not enumerate them, and they were steadily expanded during that period.

The private sector, as a result of developments during the Second World War, increasingly undertook responsibility for healthcare, including for retirees as well as current workers, and also for defined benefit retirement plans, otherwise known as pensions. Individuals and families for their part undertook a savings regime. It’s easy to forget, but as recently as the mid-1960s, the family and individual savings rate was about 13 percent. As recently as 20 years ago, the rate was about eight percent. Today it’s negative one percent.

At the same time, both the private sector and the public sector have come under very great pressure and are finding themselves increasingly unable to discharge the terms of the post-War World II social contract bargain. This is, I think, a grave challenge for our society. The post-War World II social contract not only offered buffers against risk, but it also created a zone of equality among citizens. If we don’t reframe the social contract, we will continue to move down our current path, at the end of which lies a less equal society in which only the fortunate can protect themselves against potentially disruptive events. This threatens virtually everything we care about because I believe, and will argue if challenged, that risk sharing, social equality, economic growth and an open society will rise or fall together.

It’s going to take time, experimentation, and political contestation to hammer out the terms of the new social contract, but however messy it may be, we must begin the difficult task of reconciling basic moral commitments, rethinking those commitments to take into account new technological developments such as our increasing understanding of the genetic code, and then reconciling those moral commitments with stubborn emerging realities. While clinging to the past may seem the safest course, in the long run it puts at risk everything progressives hold dear. The alternative to a new contract is no contract, a society in which the strong take what they can and the weak endure what they must.

The core of the 21st century social contract I want to suggest is a new set of norms reallocating responsibility for personal security. Here's what I think it will look like and should look like. To the greatest extent possible, individuals and families should be expected to provide for their own futures through their own savings and also through the purchase of insurance for low probability/high cost events. The new norms of personal responsibility must be sensitive to new social realities, however. For example, now that women participate in the paid workforce at a rate nearing equality with men, they're less able to act as fulltime caregivers for aging parents whose share of the population will skyrocket in coming decades. In response I believe, and I've actually laid this out in some detail, we will need to develop a system of universal long-term care insurance purchased in a regulated market with subsidies for low and moderate-income families.

The second leg of the insurance duo: government will be called upon to do collectively what we can't easily do for ourselves as individuals. In the new social contract, government will employ laws and regulations to shape competitive markets for social ends, to use incentives and, when necessary, mandates to lean against free riding and the tendency to overemphasize short-term interests at the expense of long-term needs, and also – I would argue – the tendency, which we've already discussed, to believe that it will happen to the other person, it won't happen to me.

Government will also be responsible for transferring resources to individuals who otherwise could not afford to participate in mandatory insurance programs; to collect, assess and disseminate information citizens need to make sensible choices; and to act as an insurer of last resort to deal with disruptive events against which individuals on their own cannot provide even through standard insurance mechanisms.

For example, on both moral and technical grounds, there is a compelling case for government to assume responsibility for catastrophic healthcare costs above a certain threshold starting with the market for small, individual, and group insurance.

As we've already heard, the role of the private sector will also change significantly. As time passes, businesses and corporations will be less and less likely to provide security directly for their workers through pensions and low cost health insurance. A number of labor leaders, I think headed by Andy Stern, have made this a theme of some of their new proposals and I think they're on the right track. That is not, I want to emphasize, an argument for putting in place new policies and changes to the tax code which will encourage the private sector to shed its current responsibilities at an accelerated rate. But I think it would be prudent to assume that 20 years from now or 30 years from now, the private sector role in the direct provision of health insurance and anything that looks like a traditional pension, which has declined significantly, will continue to decline and we had better plan for an alternative to it.

Finally, the new social contract will be inescapably a moral undertaking which means that its interpretation will be contested. We'll be called upon to determine what constitutes a decent minimum for workers and their families, which kinds of events individuals and families cannot reasonably be expected to cope with on their own and which outcomes are socially intolerable regardless of the individual's role in bringing them about. And I think that people who care about the social contract should offer forceful, specific answers to these questions so that the debate can begin.

Here are some of the things that I want to put on the table. To begin with, healthcare is an integral feature of a decent minimum. The question is not whether to discharge that responsibility, but how. I'm encouraged by the fact that from coast to coast, states are now beginning to take up that question in earnest and I hope at long last, it's just a matter of time before we have that debate at the national level as well. I have my own views as to how that responsibility should be discharged. You can probably guess them from what I've said already. Others may disagree, but it seems to me that the moral proposition is clear.

Here's another one. There are some pretty clear cases where individuals and families cannot be expected, whatever they do, however responsible they are, to accept and discharge the burden of certain events. For example, for an average family, a child with severe birth defects is the financial equivalent of a natural disaster that should be a public responsibility.

And in general, there is a wide category of events that are not within the control of individuals that they not only can't handle on their own, but which they have no role in bringing about. That should be the core of insurance, morally speaking, and build out from there. It follows, and this may not be the most popular message in this room that there are some events for which individuals do bear some causal responsibility as individual moral agents. I do not think it is a mistake for an insurance system, whether a private system or a social insurance system, to take the distinction between those things for which the agent has no responsibility and those things for which this agent has some responsibility into account.

Do I think that it is a moral error to include some allowance for risky behaviors such as smoking, riding without a motorcycle helmet, and even obesity? Do I think it's a moral mistake to include those in payment schedules? No, I don't.

In short, I think that the debate between individual responsibility and social responsibility is a classic false choice. A morally defensible system, and I would add a politically viable system, is one that needs to bring together a defensible conception of individual responsibility with a defensible conception of social responsibilities.

As I said, because that is a moral debate, it will be essentially contested. But as we've see throughout American history, even moral debates can come to an end with broad based social agreement. I think that we are in the process of working through a new understanding of the relationship between social responsibility and individual responsibility and in the process of moving towards a new conception of how that understanding could be translated into effective policies that are sustainable both fiscally and politically.

Thank you very much. (Applause.)

The Risks of Social Insurance

Michael Barone, Senior Writer, *US News and World Report*

MICHAEL BARONE: Well, thank you very much. I'm fascinated by the last two presentations. I come to you today not as an expert in this field, but as somebody who professionally, has gone from law to political consulting to journalism. (Laughter.) I guess the used car business is next on the agenda. So I'll begin with a personal note.

I like to tell people when I meet them that I grew up north of Canada, which usually puzzles people until I explain that I grew up in Detroit, which of course is directly north of Windsor, Ontario. And I had a window outside looking southward into Canada, one of the few places in the world you can do that. And I think that has some relevance towards my attitude towards this subject and towards the political and philosophical disputes and situations of social insurance. The Detroit where I first became aware of public affairs in the 1950s, was a part of the country that as in many ways leading the nation in social insurance in the kind of public sector/private sector postwar bargain that Bill Galston was talking about.

Walter Reuther, a very able man, was president of the United Auto Workers and was winning benefits for his members, not just higher pay, but generous health and defined benefit pension plans, early retirement, which he hoped would be an example for the nation, for other industries. And this was not just a fond hope at the time. The big three auto companies were some of America's largest and most profitable corporations, they seemed to have no difficulty selling historically unprecedented numbers of cars and they seemed to have no viable competition. So the money just kept pouring in, and I mention as a sidelight that my relatives were practicing medicine in dentistry, men – and there weren't any women among them in those days – men with no commercial instincts whatsoever made huge gobs of money of the UAW healthcare health in dentistry plans. They just kept flowing in. Patients who formerly wouldn't be able to get $5 out of their pocket and couldn't afford it were suddenly producing all this revenue.

So Detroit at that time seemed to be providing great benefits; not only the federal programs and public sector programs that Bill was talking about, but the private sector. We seemed to be on our way to Sweden, an example not lost on Walter Reuther, who kept in touch with the Scandinavian socialists and commissioned a Swedish architect to build the Solidarity House on the Detroit River.

Well, Detroit seems different now. The big three auto companies, as it turned out, did have competition. When they tried to fence out auto imports, the Japanese firms built plants here in the United States. And today, we see that the high healthcare and pension costs imposed on the big three agreed to by them in contract negotiations, seem threatened to bankrupt them now: the General Motors spin-off Delphi is already in bankruptcy. Ford lost $12 billion last year. I confess to be an economic unsophisticate. I don't understand how you can lose $12 billion and still keep running a business, but that's not my field. (Laughs.)

The same time, as Bill was saying, I think, if I interpret his comments correctly, public sector social insurance is at risk as well. Social Security faces long-term problems, where promised benefits cannot be delivered in some future years, people argue about which ones, except by raising taxes or borrowing to what might be politically unacceptable levels. And, of course, benefits are not legally guaranteed as the Supreme Court ruled in Flemming v. Nestor in 1960. Medicare spending is increasing at a rate far greater than revenues of economic growth.

And from this history, I conclude that the current vision of social insurance is not sustainable over the long-term risk. A public sector and private sector systems which attempted to reduce risk for ordinary people, and for many years have succeeded in doing so, but those systems are now at risks at systemic failure.

So I draw the conclusions that in an aging society, any pay-as-you-go retirement social insurance is inherently risky and it's also arguably generationally unfair. My recollection is that the advocates of the big 1972 Social Security increases, led by Wilbur Mills and Richard Nixon – basically they were both running for president that year, an alcoholic and a crook – (laughs) – bid up the system. The argument was that higher benefits are going to paid for, because all those kids of the baby boomers are going to produce another baby boom of their own.

Well, they didn't. The high post-World War II birth rates turned out to be an exception, not the rule, in advanced economy societies. In effect, we have basically replacement birth rate today, or close to it, plus immigration. The social insurance systems of Western Europe are strained much more by their low birth rates and that seems to be a continuing problem in my view – an inherent problem– making a system that was designed to reduce risk risky in and of itself.

Similarly, in an economically dynamic society, any employer-based social insurance system is inherently risky. If you go back to the 1930s and the 1940s, the years in which Bill's social contract was developed in the United States, the assumption up through the postwar years is that the days of economic growth were over. Framers of New Deal programs agreed with the Marxists that market capitalism had broken down, economic growth was a thing of the past.

And when Franklin Roosevelt came to office, he was faced with a downward deflationary spiral and the common thread of many if not all his policies was to freeze the economy in place, to fix prices and wages so they wouldn't keep going down. The social insurance system they created – and the framers of that system assumed correctly that it would be expanded – was meant to provide a minimal benefit for those who were at risk, because of inevitable market failure. But as it turned out, the Depression, the '30s was the exception rather than the rule. The result, as Milton Friedman and others have shown, of egregious public policy mistakes, which later presidents, congresses, and central bankers have been careful not to repeat.

By the time Walter Reuther was building Solidarity House in the 1950s, it was clear that economic growth had again become the norm, although there were periodically punctuated by recessions. The dominant thought in those days, enunciated by John Kenneth Galbraith, was that the economy would increasingly be dominated by giant corporations, and so employer provision of health insurance and defined benefit pensions was likely to encompass and aid just about everybody in society. Well, we've learned that Galbraith was wrong. His book describing the new industrial state, written in 1967 came out just at about the last point at which his argument was plausible. The economy has not gone into consolidation by giant firms, and a lot of giant firms have become small and the systems of defined benefit pensions, retiree healthcare that the UAW negotiated with the big three automakers, are at grave risk.

We've already seen the airline pensions being taken over by the Pension Benefit Guarantee Corporation, and if you look at the finances of the PBGC, it is pretty scary, too. And also you don't get the full pension from PBGC if you have a gold plated pension. Ask some retired airline pilots about that. So they were subject to more risk than the framers of that system thought.

So how should individuals be protected against risk? I think what is needed are mechanisms to help individuals protect themselves by hitching a ride on the bounteous growth of the economic marketplace. And we already do this to some considerable extent: defined contribution benefit plans have helped to increase stock ownership to something over 50 percent of voters, unthinkable back in Franklin Roosevelt's 1930s and Walter Reuther's 1950s when it was under 10 percent.

Most Americans over their lifetime do accumulate significant wealth. The Federal Reserve figures that come out every year are always reported to say most Americans have no wealth. Well, most 27-year-olds don't have any wealth. In my own opinion, 27-year-olds shouldn't have any wealth. They don't know how to treat it. They should have negative net worth, but if you look at people age 55 to 64, they achieve mid-six-figure wealth at a median at that time. So what I think one of the directions we should move in, one of the things we should do to supplement the risky social insurance systems that we have is something like what George Bush proposed for Social Security – individual investment accounts in Social Security.

The Democrats for a variety of reasons, did not want to go along with that in 2005, 2006 and that proposal is probably going nowhere during his presidency. And Democrats derided the personal investment accounts as terribly risky, you'd lose all the money, you throw it off a building.

Now I hear some Democrats arguing that we should have – outside of Social Security, to be sure – more tax-sheltered investment accounts – mechanisms – available to people. And I think that project goes in the right direction. I think that you can make it more progressive if you want to by providing tax credits or even refundable tax credits for low even low-middle earners. I think that it has the additional advantage of doing what I think some of the most successful reforms of our postwar period did, and those are the HFMA and VA Home Mortgage Acts, the GI Bill of Rights, which gave government assistance and encouragement to people to build, accumulate their own wealth, and to increase their education and their skill levels. I think we need mechanisms to do this for savings as well, and I think that we'd like to move in that direction.

Thank you. (Applause.)

The Efficiency of Social Insurance

Robert Kuttner, Co-Editor, *The American Prospect*

ROBERT KUTTNER: The poet Robert Frost once defined a liberal as the fellow who is so open-minded that he won't take his own side in an argument. (Laughter.) This, like many other NASI events, has been exceptionally fair and balanced, and to paraphrase Howard Dean, I'm from the wing of the National Academy of Social Insurance that actually believes in social insurance. (Laughs.) Thank you. (Applause.)

I want to make an argument that those of us who believe in social insurance almost default to the habit of making the argument on equity grounds or equality grounds or morality grounds, but we also ought to make the argument on efficiency grounds because in a modern economy, or not so modern economy, there are sectors of the economy where the market does things well and there are sectors of the economy where the market prices things wrong.

And if you study economics, market failure tends to be dismissed as a relatively exceptional case. But, if you look closely at some of the large sectors like healthcare and education and RND and worker training, and risk, fairly quickly you're up to about 30 or 40 percent of the economy where the market prices things wrong. And if government does not become involved with social provision, the market falls below its potential. I wrote a book about this called "Everything for Sale," and it's for sale – (laughter) – and it was my effort to understand what markets do well, what they don't do well, and what the consequence is if you let the market try to provide things that are provided better socially, and also to try and get efficiency in an administrative, accountability and innovation sense when you do provide for things socially.

I'm very much a child of the middle-class welfare state. I think it's a mistake to think of the welfare state as something for the poor – something for them. It's for us. And my father was a POW in World War II. He came home. His health was, as they used to say, broken, and thanks to the VA, he got first class care. When he died, my mother got not only his veteran's pension and his Social Security survivorship benefits, and as a result of all of that we were able to remain barely middle class. It had nothing to do – I guess it had something to do with my mother's values, but without those social benefits, the values would not have gotten her very far. Another example from my own family: my father's sister got a windfall. She had the proverbial rich aunt and she lived the life of Reilly and when she was an old lady she felt that she had not deserved this money and she started giving it away to grandchildren and grandnieces and nephews and other needy people and it was kind of our family welfare state.

My mother's sister had a husband who went through all his money and she died almost a pauper. Were it not for Social Security and being able to be in a nursing home under Medicaid, she literarily would have been a pauper, and I guess she was, in a sense that under the rules of Medicare you have to pauperize yourself to go into a nursing home. This is not a series of examples of successes or failures of personal responsibility. It's a case of social provision not just being charity, but making this society more efficient. And if you go through different sectors where markets do not do things well, I think the case is pretty easy to demonstrate.

The most open and shut case ought to be health insurance. You have a patchwork system where you rely heavily on the profit motive of private insurers and you have extraordinary inefficiencies at every level: too much money being spent on paperwork, claims processing, cherry-picking, people falling between the cracks depending on which employer they happen to be working for. And the systems that are universal and seamless are more efficient in almost every respect and that's why of the countries that have universal insurance have higher rates of public health, and they only spend 10 or 11 percent of GDP on healthcare. We spend 15 percent almost and we can't cover 48 million Americans and we have an epidemic of under-insurance that's the real hidden scandal of our insurance system.

In the U.K. and the U.S., we both have problems of not enough primary care physicians. In the U.K., where they have a national system, about five years ago they said, you know, very simple fix: let's pay them more. And lo and behold, primary care doctoring is now hot and people are flocking to it. You could not do that in our system, even if everybody agreed it was a good idea, because administratively it is such a fragmentary mess. Obviously, you have no money spent on cherry-picking or trying to game the system in a universal system, because everybody is in the same system. It's a classic case of something that the government does better that the marketplace.

And I want to take issue with something Michael said and we can do this more in the Q and A, but a collectively bargained fringe benefit is not social insurance. And if you read Malcolm Gladwell, who's the token conservative at "The New Yorker," his recent piece on the folly of the big three deciding to oppose universal health insurance and instead collectively bargaining with the unions. They are today ruing that mistake, and that's from an unimpeachably conservative source.

You take labor market outlays. One of the famous externalities is investing in training. Private industry doesn't invest enough money in training. The countries that spend more socially on research and on training get the benefit of a much better trained workforce. And while you can get a cheap laugh by mentioning the word Sweden, if you actually look at the data, the countries in Europe with the most advanced welfare states, countries that spend about 20 percent of GDP more than we do socially, are now the countries that are the most dynamic economies in Europe. This is because they're investing in their workers, they are investing in new technologies, they are not having to put up barriers against free trade, and they are hanging on to their income distributions which are much egalitarian that ours.

Everybody thinks that innovation only takes place in the private market. Social learning takes place in the public sector as well. And the hot new thing in Europe is something called flex-security, where Denmark and the Netherlands have led the way in taking a social insurance system that used to compensate people for the pain of being dislocated by having overly long-term schedules of unemployment compensations, disability benefits, and they're reprogramming that money to new skills.

But they're not just teaching somebody a skill and then leaving them to fend for themselves. They're using that money to help create new jobs, not make work jobs, as well as match people with them. And this is also a use of social insurance that's a dynamic use, an innovative use and the countries that are doing that are getting a lot more dynamism that the countries who aren't. That's how Europe has been able to maintain its competitiveness. Europe gets a very big press in the United States. If you want to read two good recent books about this, on by a political scientist, one by an economist, Jonas Pontusson has written a book called "Inequality and Prosperity: Social Europe versus Liberal America," and if you want an absolutely mainstream economist, Barry Eichengreen has a new book on "The European Economy Since 1945."

One of Eichengreen's statistics is that in the past 25 years, Western Europe has gone from productivity per hour worked at about 68 percent of the American level to 95 percent of the American level. So Europe, notwithstanding – and I would argue because of – its greater social outlay, is actually gaining on the United States.

Bob Rubin's Hamilton Project is promoting a social bargain in which we pay a little more attention to protecting people from the dislocations of trade and in return that is supposed to tamp down the pressures for protectionism. It's a great idea. It's what Western Europe has been doing for 30 or 40 years. The only difference is they spend on average 15 percentage points of GDP socially more than we do. So you translate that to American terms, Bob Rubin can have his grand bargain. All it will cost is $2 trillion a year.

And I also want to take issue with something that Bill Galston said. Bill said that the public sector has come under pressure and has found that it can't meet its responsibilities. As we say in the editing business, let's unpack that sentence. That's not what happened. What happened is ever since Reagan, the Republicans destroyed the revenue base, and if we had adequate revenues, and that might mean 21, 22, 23 percent of GDP, and I'm perfectly capable and willing to make that argument – we could meet our social needs and we'd probably have a more efficient economy by doing so.

So I have a lot more to say, but I'll save it for Q and A. So in conclusion – Professor Galbraith always used to say, you always have to say in conclusion to give the audience hope – (laughter) – social insurance is what enables the market part of the economy to do what it does well more efficiently. And let's not kid ourselves: this is a deeply political question. It's about power.

If you look at the great births of enactment of social insurance, they occurred during rare periods in the United States where ordinary people were motivated to support political leaders who believed in social insurance. Look at the debates around Social Security in 1933. Look at the debates around Medicare in '64 and '65 and you will understand the role that organized business played, you will understand just what an ideological and a political struggle this was. This is not something that can be decided antiseptically with apolitical expert solutions.

Safety net is not a good phrase. Nobody wants to land in a net. (Laughs.) Compensating losers is not a good phrase: America believes in winners. But social insurance is a very good phrase. It's a mobilizing phrase. We need to reclaim it and build on it. Thank you. (Applause.)

Discussion

MR. SPRIGGS: If we can please give all the panelists another round of applause. (Applause.) And I think what I will do is you to line up to ask your questions and I will recognize you. And I will remind you that normally it's the speaker who stands between and lunch, but your questions are standing between you and lunch, so I just remind you of that. (Laughter.) But while you're lining up, let me let Michael and Bill respond to Bob, let me let Bob respond to them, and let me let Deborah have the last word among them. Quickly, a quick response just to – 30 seconds. Okay.

MR. KUTTNER: He called the government – the private sector provided the health insurance, social insurance. We were just describing something that is, I would argue, in trouble and –

MR. GALSTON: Just so we argue about the real disagreements and not the phony ones, I compressed my remarks, which were delivered within the context of a conference on social insurance and the future thereof. I absolutely agree with the proposition that if we had the revenue base than we did 25 years ago, the federal government would be able to sustain itself at a level of 21, 22, or even 23 percent of gross domestic product. Unfortunately, that's not the issue before us as we look forward to social insurance in the next 20 or 25 years. Using standard projections about social insurance programs, we're talking about federal government revenues at the level of roughly 30 percent.

That's a different debate. And the current revenue streams will not be adequate to meet that and therefore we need to have a discussion about where, I would argue, between where we are now and where we would be if we did nothing, we want to end up. And then we have to figure out the programs that correspond to that and we have to pay for it. And so the issue is not current revenues for current programs, it's future revenues for future programs looking forward a generation the way people who are serious about social insurance always do.

MR. KUTTNER: A couple of comments. The difference between health insurance and pension benefits as a fringe benefit of employment and as social insurance is not just a matter of labeling. It's a huge difference of policy and in politics, and we can come back to that. Let me respectfully disagree with Bill again. You look at the actuarial projections of the 75 year deficit of Social Security. The optimists say it's 1 percent of GDP, the pessimists say it's 2 percent of GDP. It's not insurmountable and there's a whole cottage industry of people who project based on something called generational accounting that within 50 years we're going to be spending more than 100 percent of GDP on – it's nonsense. This is fixable.

Secondly, if you want to fix Medicare, where the projections really are scary, there's a very simple solution: it's called national health insurance. It's no accident that the countries that have national health insurance have much better insurance for three or four points less than GDP. So rather than shifting more of the risk to individuals – and a lot of risk and a lot of cost has already been shifted to individuals through higher out-of-pockets, higher co-payments, things that aren't covered – and try to pretend we're solving the crisis that way by degrading the insurance, we should be universalizing the system. That is another case of social provision being more efficient than private provision. It's the private provision that's killing the system.

MR. GALSTON: Just to make it clear that we do agree more than it appears, I agree with the basic thrust of what Bob just said. Social Security can be secured within its current structure. Medicare cannot. That's the fundamental difference. Details to come. (Laughter.)

MR. SPRIGGS: Deborah, do you want to be the last?

MS. STONE: On the theory that a picture is worth a thousands words, I think I've had more than my fair share. (Laughter.)

MR. SPRIGGS: Okay. Okay, please, state your name and then the question.

Q: Sir, thank you. Merton Bernstein. Inasmuch as the announced subject was moral basis of social insurance, let me recall to you, which I haven't heard today, Richard Musgrave's observation that under the contributory principle of Social Security, the prudent compel the imprudent to help pay for their own future retirement.

Q: Anna Rappaport. Mr. Barone very eloquently told us about the risk that employers being in corporations that are changing and the constantly are merged and so forth, and about pay-as-you-go risk linked to demographic change. He didn't talk to us about economic risk and funded systems being subject to major risk in certain economic scenarios. People who talk about funded systems as the end of all risk usually don't talk about that. I wonder if he or anybody has any comment about the economic risk if you move to much more pre-funding.

MR. BARONE: The economic risk if you do what?

Q: If you move to much more pre-funding and then you have massive inflation or significant economic disruption, how do you protect against that?

MR. BARONE: One of the things that we've seen is over the last century is that economic oscillations have become less frequent, less severe, and recessions have become less frequent in the last 25 years. We've had low inflation, economic growth for approximately 90 percent of the time in the last 25 years. My point is that you can't squeeze risk entirely out of any system, and at some point it risky to try to squeeze more risk out.

MR. KUTTNER: I think in terms of the architecture of Social Security there's a good answer to that. The problem with personal accounts is that all of the risk of bad timing or of living too long falls on a given individual. If you put a reasonable percentage of the trust funds into a very prudent basket of investments and got a somewhat higher return, given the fact that over the long-term the market always comes back, no one individual would be at risk. And it's very important to remember that a tax-sheltered savings plan is not the same as the pension. You can outlive a tax-sheltered saving plan and even a pension is not the same as Social Security, which has a whole basket of benefits that just go beyond the pension.

Q: My name is Ann Neale. I'm at Georgetown University. And I want to congratulate the Academy, the panel, and the previous speakers for starting out with the moral conversation because I think these issues are fundamentally moral ones. And I believe the conversation needs to be extended even beyond these walls. That is beyond the experts in this room and even beyond the grass tops to the grass roots, because to get meaningful, sustainable changes in these social insurance programs, which I think most of us want to sustain, I think we have to have a social movement.

And so I'm just calling on us, and I'd be interested in the panelists' opinion on this, to think of creative ways of extending these conversations and debates to the larger public and making a conscious effort to be less argumentative and more dialogic. I think we need to extend the discussion about the values and priorities of a good health system to the general public. That entails creating the spaces for those conversations and structuring them such that they don't focus so much on the techniques, but on the moral grounding of healthcare. I'm confident such opportunities will uncover a good deal of common ground. I have one modest project (www.ourhealthcarefuture.org) which bears out my on that score. But I would like to hear the speakers' reactions to how can we help the public understand the moral contours of this important issue and engage in a conversation and learn from them. We need to take the wisdom and will of the people into account through dialogic, deliberative democracy. So thank you.

MR. GALSTON: That's a good question. My answer would be, I'm not so sure that the people need our help. What I see and I am very encouraged to see it, is that there is a bottom-up discussion about healthcare and health insurance springing up all across the country. It's no accident, comrades, that we now have a dozen states seriously considering various sorts of programs for extending or even universalizing health insurance. And I think that this is people who study deliberative democracy and the public's role in it – people like Danny Yanchelovich, for example – describe a number of different stages of public engagement with specific issues and sometimes you're at stage zero, sometimes you're at stage one where a problem is at least named, sometimes you're at stage two where the public is seized of the issue, and sometimes you are at later stages where a crystallized sense that something must be done energizes political leaders to put forward alternatives which then create the perimeter and parameters of political debate.

And I think that this will be the most hopeful thing you'll hear me say all day: I think that during the past six years of gridlock on a number of fronts, the public hasn't checked out or tuned out. They've kept on thinking, they've kept on arguing in venues that never come to the attention of the national press, and I do think judgments are crystallizing in a number of areas: healthcare is one, the environment and global change –

Q: I would call those grass tops to tell you the truth though.

MR. GALSTON: Well, we can –

Q: I'm pleased for the activity, but I think we need to engage the general public. I'd be interested in hearing from other panelists.

MR. GALSTON: I don't think there's anything we can do to create such a movement.

MR. KUTTNER: You're right about these things. You have President Bush's interesting proposal to change the tax treatment of health insurance. The prime beneficiaries of the current system are high earners who get employer provided insurance. We give them a big tax advantage and vis-à-vis low earners who do not have employer provided health insurance.

Q: I really not so much talking about the techniques, though. I'm talking about a fundamental conversation among average people. I think opportunities need to be created for really discussing, not strategy or policy, but the moral foundations of health care which is where I believe the gridlock really exists.

MS. STONE: Ann, I think that's a great observation, and I think that public conversation has been so dominated by the rhetoric of self-interest, self-sufficiency and personal responsibility that it has not made space for the moral side of people that most people have and care about. It has made the public sector and the political conversation a very unwelcoming, hostile place. So I think a place to start is those of us who care about these moral issues bringing this moral language into public debate and opening up the conversational space for these issues.

Q: Yes. And we will find a generous moral reserve, I think. Thank you.

Q: Joe White. A couple of quick comments and then I will have a question. First, if you want to talk about risk issues, one of the first issue briefs of NASI is by Larry Thompson. It's Issue Brief 3 and it's a superb discussion of the various aspects of risk. The second thing is that there's been talk about economic change and the case for social insurance is not reduced at all by the kind of economic change that makes individual employment pools much more risky. The case for the kind of private insurance bargain that lots of people have talked about that was the past and that Michael Barone experienced in Detroit is greatly weakened by that economic change which makes individual businesses less secure, but the case for social insurance arguably is strengthened by that. A third point is, we haven't heard the word compulsion very much, but the fundamental moral question is when is it appropriate to compel other people to participate in social insurance, and Merton Bernstein mentioned that. This goes back to the old public finance theory of social insurance and is really fundamental in Richard Musgrave's argument for social insurance.

But the last thing is partly an economic question and partly a moral question, about the continual reference to savings rates. At the same time as we have this apotheosis of personal responsibility and the idea that retirement is all going to be personal responsibility, supposedly saving rates are plummeting. Individual savings rates have fallen so much, and at the same time we have these statistics that it used to be that 10 percent of people have stocks and now 50 percent of people have stocks. There seems to be something wrong with these numbers.

And I suspect what's wrong with these numbers is, first of all, savings rates include both borrowing and savings. There is a heck of a lot more credit out there right now. And I do not know how they count things like mortgage interest, but if you have an increase in the size of mortgages, that will look like people are borrowing a lot more and not saving. At the same time *they* will think they're saving, because they think the housing prices are appreciating.

The second thing that's puzzling is, we can talk all we want about the need for individual savings and then you take today's Washington Post and can read that it says the economy is doing better than expected. Why?

We have built an economy that we say is driven by consumer spending. When President Carter decided to get at inflation in 1980 and he cracked down on credit, the economy snapped immediately and went quickly into a recession. And so we have all this talk about how we're going to have to increase individual savings but we also have an economy that's driven by individual consumption and credit.

MR. SPRIGGS: Okay. So who on the panel would like to respond to that? (Laughter.) I would just point out, while it's true that the massive run up in debt is heavily dependent upon mortgage debt, if you'd looked at the survey of consumer finance, debt has been rising in the last five years at almost three times the rate as net worth, so it isn't simply a balance sheet of the homes have gone up and the debt has gone up with it – that personal debt has gone up much – household debt has gone up much faster than net worth.

MR. KUTTNER: Two quick comments on that. Two big things I think have changed since the '70s that affect the personal savings rate. One is that medium income stagnated. If you adjust medium income for hours worked, where the typical family is working about 500 more now than it did in the '70s because women are in the labor market almost as much as men are, and you adjust for that, there's been no income growth for the medium American since the 1970s. And yet, there have been all of these added expenses. So people borrow and people are induced to borrow and people are marketed to borrow and that's in a nutshell a lot of what happened to the savings rate – that and the federal deficit. So I would argue one way to make it possible for more people to save money is to have a more egalitarian income distribution of the sort that we had until the mid 1970s.

Secondly, if you look at the alleged democratization of share holding, the narrowing of the distribution of wealth has occurred at an even more extreme rate than the narrowing of the distribution of income. Fifty percent of people hold stock, but I think the last time I looked, about 44 percent of the stock was held by the top 1 percent of the income distribution. And Alicia Munnell has written a definitive book "Coming Up Short" on the complete inadequacy of private tax-sheltered savings vehicles 401ks and IRAs and Keoghs as any kind of a substitute for social insurance. The typical plan, even for people over age 50 is in the tens of thousands of dollars. It's a couple of years of earnings replacement. So if you want a higher savings rate, let's have a more egalitarian society and let's take some of the pressures off individuals by providing more of this socially.

MR. GALSTON: Well, this turns out without top down coordination to be a very good division of intellectual labor, because I want to take Joe White's challenge on the compulsion issue, which also ties into a previous statement, as he noted. In fact, I did make a point of it in my remarks, but in 12 minutes I had to go through it very quickly. In my view, it is morally appropriate and in some cases morally necessary for the public sector to use its mandatory power. I do not believe, for example, that it would be unjustified for the government in current circumstances to set up a mandatory savings program. We, after all, have mandatory Social Security program and a lot of people in both political parties believe that on top of that a mandatory savings program would make a whole lot of sense.

So you use mandates to lean against myopia or shortsightedness of individuals. You can call that paternalism if you want, but in my judgment it's justified paternalism.

MR. KUTTNER (?): You could do an opt-out.

MR. GALSTON: You could, but now let me give a second case where I don't think opt-out would be in order. If you define from a moral point of view areas of our life where we genuinely are or should be in it together, but it's the case that some individuals will have individual incentives to flee from that sharing – leave the risk pool or do a number of other things that people in this organization have traced for many years. At that point, it seems it's going to be perfectly appropriate for government to use its compulsory power to compel people to stay in pools that share risk.

To put it in David Moss' terms, from a moral point of view it may make sense to reflect behind a veil of ignorance, but in the real world we know who we are and we know what our interests are. And so in the real world, it may be necessary to use public power to close the gap between the conclusions from the veil of ignorance and actions dictated by knowledge of our individual circumstances.

MS. STONE: When I showed the picture of the "if you thought your mother was overprotective," I mentioned the ambiguity the advertisement said: you may be called upon to take care of your parents. Called upon has – that phrase is moral language and it really captures the two sides of that relationship. One is a sense of moral obligation, compulsion, and the other is a sense of moral desire. And if any of you have been in the position of taking care of your parents or your children, you know that it is a sort of ambiguous divide and it's sometimes one sometimes the other and hard to separate the two. I think that we need to illuminate – reveal – that same ambiguity about our role as citizens: that we have both an obligation and a desire to take care of our fellow citizens.

I spent a lot of time in Germany researching the German health insurance system, and there has been universal health insurance there for over a hundred years. There is a strong sense of social solidarity, of desire to participate in that system, what Joe was talking about. Yes, it's compulsory, but it is like a national family. It's like that mother in the advertisement who took care of you and now you feel some obligation and some desire to take care of the system and nurture the system, and I think that's what we have to reach for in the public sphere.

MR. SPRIGGS: So we can make sure that we get both these questions which will be the last two questions, why don't I ask you to both state your name, ask your question and then we'll have the panel respond to both of you and that way it'll be sure that both of you get called on.

Q: My name is Larry DeWitt and I'm a historian, so I want to challenge Michael Barone on a small point of history. The story that he told you about the emergence of social insurance in the context of the Depression and the New Deal was that the New Dealers had given up on capitalism, and that they assumed that capitalism would continue to fail in perpetuity to provide for economic security.

In fact, they assumed no such thing. What they assumed was that most people would continue to grow old and some of us would die before making it to old age. Therefore, these eternal and universal human problems would continue to afflict us forever in both good economic times and in bad economic times. And the Depression is not the reason that we adopted social insurance. The Depression was the triggering event historically that allowed us to overcome, as Bob Kuttner said, the political resistance to the idea of social insurance and that's what emerged in the context of the history of the Depression. Thanks.

Q: Mike Bartlett. I wanted to comment on an aspect of Ms. Stone's presentation. In your last three slides you were talking about community altruism as expressed in the advertising of the commercial insurance industry and I was intrigued that two of the three ads you showed were Mutual of America ads. That was the company I was president of in the – (laughter) – 1980s, and that kind of advertising I don't think is characteristic of the advertising of the commercial insurance industry at all. You have to know something about the history of that company. That company was founded in 1945 by the United Way movement to provide pension and other coverages for employees not-for-profit health and human services companies, and that's still it's primary market, so it has obviously a bias in the way it presents its advertising. I don't think it's characteristic of the industry at all.

MR. SPRIGGS: This is the great joy to me always of being at NASI conferences because if you say something, somebody's going to stand up and say, I was the president of the company or – (laughter) – I wrote that legislation and this is what I really did when I was in the committee room. It makes it the most fun in the world.

Deborah?

MS. STONE: Yes. I selected these and I have a huge stack of advertisements and these were 18 of them. Those three were not typical, but I think it's intriguing and inspiring that in one moment in the 1990s some companies thought that altruism sells instead of fear and vulnerability. I think it did and I just take that as a model for what we might do with trying to sell social insurance.

MR. BARONE: On the historian's point, I agree with the second part of what you're saying, that the Social Security wasn't seen as an anti-Depression policy exactly, but in terms of providing for old age and disability; fatherless – mothers of fatherless children and so forth. And in fact, the first old age benefit wasn't paid until 1941, I think by then the economy had been revved by war.

I do think that a lot of the New Deal measures – the National Recovery Administration, which lasted for two years until it was declared unconstitutional, trucking regulation, the farm programs – seemed to be envisaged with a view of freezing an economy in place rather than providing a scope and arena for economic growth. They didn't seem to be very confident the economy would return in any robust way, which in fact it mostly has done since 1945, or you can say since 1941.

MR. KUTTNER: The comment about – was that Mutual of America? It underscores another aspect of the same debate. There used to be in the United States powerful nonprofit institutions with community missions. The two big examples being: mutual insurance companies and nonprofit mutually owned savings and loans. And there were also before they were HMOs, there were pre-paid group health plans, which were nonprofits that had a social mission like Group Health of Puget Sound, and like the original HIP of New York.

The point I'm making is that it wasn't these S&Ls that cost the taxpayers $200 billion. And it wasn't these pre-paid group health plans that don't let you see the doctor or don't let your kid have necessary surgery. When the market gets hold of goods that are logically and inherently social, bad things happen: opportunism and the chance to cash in quickly overrides the social mission, so it's not an accident, I think, that his kind of ad came out of a mutual.

MR. GALSTON: Let me conclude on an inquisitive note. The recent death of the great political sociologist Seymour Martin Lipset gives us the opportunity to ask ourselves about the role of enduring national characteristics, what might be called political or public cultures, in shaping politics and in shaping the way people are prepared to think about public policy. This has a direct bearing on your reflections because the question of the extent to which European models can be successfully imported into the United States in part revolves around the question of whether differences of political tradition and public culture matter a lot or just a little. Those who are very confident of the transplanting strategy tend to believe that it's all politics and that culture has nothing to do with it. Those who are somewhat – (audio break, tape change) --

MR. KUTTNER: I agree with Bill with a footnote. I think American institutions of social insurance need to grow organically. Sweden is a dirty word, but that doesn't prevent the United States from trying to export to Europe our version of capitalism, so let's hope that the European social modal, which I think an excellent social model, is as impervious to transplant as ours is.

MR. BARONE: Yes. I think Denmark system works for a country full of Danes. (Laughter.)

MR. SPRIGGS: Well, to not have the conversation go to lunch, I will cut it off here. I want to thank you very much for being a wonderful audience and keeping us on time. A society which places moral obligations on individuals is also a society which places more obligations on society. And so I think that's very important for us to have spent the time thinking about.

Thank you very much.

(END)