Reclaiming a vision that lost its way

William E. Spriggs

For almost 50 years, from Social Security's enactment in 1935 until 1983, it was a program constantly amended to become more inclusive, equitable, and encompassing. Changes were always about expanding the scope of the program, never about limiting it. The program grew because it became clear over time that we had important unfinished business. That included expanding coverage to protect workers who had been initially excluded, notably farm laborers and domestic servants, disproportionately African American.

Initially President Franklin D. Roosevelt intended to cover them. That would have evoked the wrath of the deeply racist southern Democrats who held sway in Congress. But it didn't come to that, because FDR didn't insist. It's also true that most economists of the day had been trained to believe that extending benefits to "less desirable races" would hurt the economy in the long run; so they were not inclined to advocate their inclusion. The result was that in 1935, despite objections from the civil rights organizations that testified for their inclusion, Congress excluded an estimated 65 percent of the African American workforce of the day from Social Security coverage.

It took nearly 20 years to get those workers covered — think how many had died in the meantime, deprived of the Social Security income protections and benefits that most workers by then could take for granted — and it took still longer to cover workers who could no longer work because of becoming disabled, typically if not always because of unsafe, unhealthy, or unduly demanding working conditions.

Along the way, coverage was added for workers who had disabilities that limited their competitiveness in the labor market. And, as inflation eroded benefit levels, Congress periodically raised benefits to maintain their purchasing power and protect the dignity and lifestyles of seniors.

So the program grew, always with the goal of increasing equity, fairness, and inclusion. Then, in the 1980s, we made a terrible mistake, allowing the program to become reconceived as something fixed, even on the defensive, instead of constantly becoming more inclusive, equitable, and encompassing.[1]

We need to reclaim that earlier vision — and improve on it.

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AN UNSTABLE, TOP-HEAVY ECONOMY

As incomes rise and the lifestyle needed to participate in a demanding market-based economic system rises, clearly more risks need to be insured against. It is the same as when you go from early adulthood to taking on home ownership and other assets. You expand your private insurance. When you buy a $350,000 home you can't continue to carry renter's insurance, and you can't carry the same $20,000 life insurance you had when you were single but now make

$75,000 and have a spouse and child. So, too, must our social insurance expand.

Two key things have happened since the 1980s. First, inequality has exploded. This leaves far more people in a constant state of precariousness. High levels of inequality chase the affordability of basic needs like housing and child-rearing beyond reach for more people, because an increasing share of the market for health care and housing and education is driven by the high end of the income distribution. This makes our economy less stable — and it is now top-heavy and easy to knock over, more prone to collapses that put savings and incomes at risk.

The labor market has failed to deliver the same growth in wages for the typical worker that had marked the post-World War II economy up to the 1980s. This century has greeted workers with a resounding thud. Today there are fewer workers on payrolls than in 1999. And median family incomes had just climbed back to their peaks of 20 years ago, before today's economy sent them crashing back down.

It was not clear in 1983 that union density would collapse as it has. With unions all but gone, so has the share of households protected by defined-benefit retirement plans. That loss of corporate obligations has been shifted to corporate profits, while for workers it has meant another risk added to their plate. While once it was common to think of the typical retiree as having a pension plus Social Security, that is no longer an accurate or useful framework.

Our knowledge of the extent and persistence of racial wealth disparities is greater than in 1983. We have more data, clearly showing that the gaps are intergenerational, that they cannot be closed by increasing educational attainment levels, and that the gaps have been growing wider. As a larger share of the population will be from among communities without individual wealth holdings, the economy as a whole will be more fragile. Social insurance is a critically important way to improve the resiliency of modest household finances and thereby contribute to addressing inequality.

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CONFRONTING THE UNDERLYING 'I CAN'T BREATHE'

Second, globalization has clearly created global risks that no individual or group can possibly insure against: pandemics that are easily spread, unnatural weather disasters linked to global warming. And these risks can be very large for the economy, as we now see.

Too often we have seen natural disasters strip away our sense of security that our local government will be there to maintain basic services. Katrina's devastating impact on New Orleans has been repeated with the fires that eradicated Paradise, California. Part of our personal wealth is tied to local infrastructure, including public infrastructure. When that community infrastructure is weakened, the loss is costly even if someone's house is not damaged.

So we need more social insurance, and it must address the underlying racial inequality — or leave us with no tools to overcome a permanent level of racial inequality which is largely the result of program inequities that included Social

Security. So far, there is little evidence that the typical worker will ever have the earnings gains to conquer the rising risks through their own savings initiatives.

Our vision for the future of social insurance must be as expansive as it once was. And it must have the goal of protecting all of us — not just some of us — against broadly shared risks. That means thinking not only of social insurance at the federal level. It also means addressing the huge inequalities that we have in state and local government. It means ensuring the fair and adequate functioning of basic community services.

Otherwise our society will never remove its knee from George Floyd's neck.

ENDNOTES

1. The changes in 1983 were presented to the American people as the result of a great compromise between those who were long-time supporters of expanding Social Security and those who were more conservative, wanting to move the system from a pay-as-you go to a pre-funded system, as an attempt to resolve the almost biennial crisis the program faced to adjust benefits and FICA contributions. The result was that the delicate balance that was reached claimed to put the program on sound footing for 75 years by slowly raising the retirement age for the baby-boomers and significantly raising the FICA contribution to create a large trust fund to help pre-pay their benefits. Changing the program was viewed as reopening a settled debate. This changed the focus of the debate to the strength of the trust fund, inevitably leading to debates on how to cut benefits to sustain the trust fund or abandon the compromise and declare social insurance as a failed experiment that should be converted to private accounts. Long forgotten were the constant increases in FICA contributions that had expanded program coverage (although at the cost of those increases being perennially attacked as unfair tax increases). With most Americans seemingly unaware that the retirement age was raised from 65 to 67 for the baby-boom generation, the trust fund could be depicted, albeit inaccurately, as facing a shortfall because Americans were living longer. Too rarely were Americans made aware that the much bigger problem was the unprecedented rise in income inequality that had started around 1980.