Opinions and Policy

Is Washington Disconnected from Public Thinking About Social Security?

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The American public and political leaders in Washington are far apart on reforming Social Security. President Clinton, members of Congress, and representatives of business and older Americans are contemplating privatizing Social Security (at least in part) to allow individuals to invest these tax dollars in the stock market. They also propose lowering the consumer price index to reduce the program's cost of living adjustments and raising the retirement age. The widespread assumption in Washington is that the public is ready to abandon the current system and that generational warfare between the overburdened young and the "greedy geezers" has created a growing cohort of young Americans who no longer support the program and are enthusiastically calling for radical change.

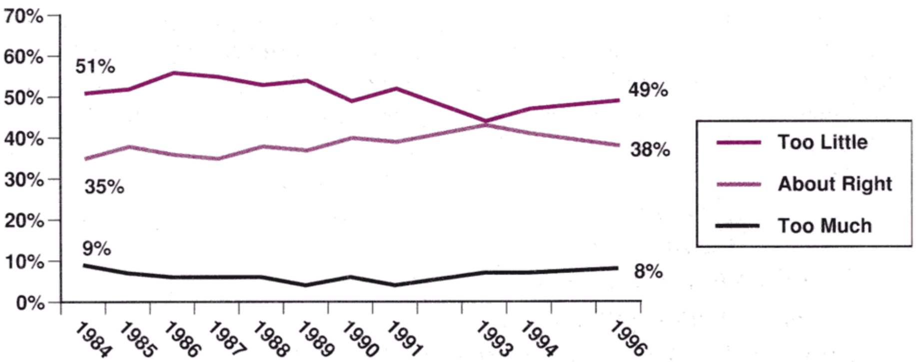
The reality, however, is far different. Elites are heading in a direction that lacks substantial public support, and talk of generational warfare is overblown. Although the old are more sensitive to threats to Social Security, the young are consistently just as supportive of the overall program.

Social Security Rests on Solid Public Support

In spring 1996, the CATO Institute found in a survey they commissioned that about two-thirds of Americans were very" or "mostly" favorable toward Social Security. Somewhat less direct survey questions confirm a pattern of sustained and very strong support for the program. A series of NORC General Social Survey questions has asked respondents over a number of years whether "we [are] spending too much, too little, or about the right amount on... Social Security." The program's supporters favor the status quo or increased spending. Figure 1 indicates two very important points. First, an extraordinary 9 out of 10 Americans support the view that spending on Social Security is "about right" or "too little." Second, the high support has been remarkably stable, not withstanding a seven percentage point shift from out of the "too little" category since 1986.

Figure 1
Spending on Social Security

Question: We are faced with many problems in this country, none of which can be can be solved easily or inexpensively. I'm going to name some of these problems, and for each one I'd like you to tell me whether you think we're spending too much money on it, too little money, or about the right amount.) Are we spending too much, too little, or about the right amount on... Social Security?



Source: Survey by the National Opinion Research Center-General Social Survey (NORC-GSS), years indicated.

When Americans have been asked to set spending priorities in the federal budget, they have expressed overwhelming support for maintaining or expanding Social Security and equally strong opposition to cutting back. A series of eight surveys by the National Election Studies (NES) and Princeton Survey Research between 1984 and May 1997 indicate that fewer than 1 out of 10 Americans have favored decreasing Social Security's funding as they have wrestled with the competing demands on the federal budget. A larger collection of surveys taken since 1981 found that large majorities of two-thirds or more have opposed cutting the program to achieve budget reductions.[1] Even among fiscal conservatives, majorities (58% to 71%) opposed balancing the budget if it meant cuts in Social Security.[2] Finally, since 1982, majorities of 61% to 78% have opposed reductions in cost-of-living adjustments to lower the federal budget deficit, although the proportions favoring the adjustments have increased over time.[3] There is similar opposition to making cuts in Social Security to reduce taxes.

Americans have sent a strong and sustained message to budget cutters: the basic structure of Social Security is off-limits in the competition for federal funding.

What is particularly striking is that the public's support has remained high despite Americans' low confidence that they will actually receive benefits. The trends for support and confidence are clear: neither low confidence nor downward shifts in confidence consistently coincide with declining support. Confidence dropped from the 50-60% range in the mid-1970s to 39% in 1979 and then 32% in 1982, yet there was no appreciable change in support for the program.

Attitudes of Different Segments of American Society

Americans from quite varied personal circumstances express substantial support for Social Security; the differences among groups defy straightforward classification.[4] Between 1995 and 1997 majorities of about 70% to 90% of Americans from different educational, income and age backgrounds opposed decreases in Social Security spending to reduce the federal budget deficit. Within this overall consensus, some basic differences emerged. As the conventional wisdom would seem to dictate, individuals who were better educated, more affluent, and younger were somewhat less opposed to spending cuts.

The views of different demographic groups challenged any simple presumption of self-interest, however. Repeatedly, younger Americans, the affluent, or the better educated departed from these expected positions to offer strenuous support for Social Security. The more educated were somewhat more protective of Social Security spending in 1991 than the least educated. The most affluent were as supportive of the current level of spending in 1994 as the poorest. Despite media accounts of intergenerational warfare, younger cohorts were as protective of Social Security spending (if not more so) as the oldest in 1995 and 1996.

Further evidence that Americans persistently act against their narrow self-interest to advance the public good in the matter of Social Security is seen in two surveys from 1997. A March 1997 *Washington Post* survey reported that the young were the most concerned that Social Security benefits to average retirees were so small that they needed to struggle to get by; older groups were less likely to hold this view. And a February 1997 *Los Angeles Times* survey found that the young were the most supportive of the existing arrangements for financing Social Security; there were no clear differences among educational and income groups.

Reforming Social Security

Washington elites and the public are also far apart on reforming the existing Social Security program.

Privatization. The surveys conducted for the CATO Institute in spring 1996 provided strong support for reforming Social Security to establish individual investments in the stock market. They reported that two thirds of Americans favored privatization to create individual investment accounts. An April 1998 Yankelovich survey for *Time* and CNN found that 60% favored "allow[ing] Americans to invest a portion of their Social Security taxes in investments such as the stock market."

But the Yankelovich question is a limited measure of the public's evaluation of privatization, and the CATO items are problematic for two reasons. First, the question wordings are not balanced. The Vanguard Group (and other investment businesses) sternly warn customers that "risk is the inseparable companion of reward, and the risks of investing in stocks are considerable."[5] A fair probing of the public's views on privatization requires asking balanced questions that pose the potential rewards and risks of equity investments. The CATO survey in particular did not mention risk and instead posed a series of leading questions that asked respondents if they favored reforms that would allow Social Security funds to be invested in a personal retirement account and passed on to heirs as an inheritance—all without imposing any reduction in current benefits.

Second, CATO's results were likely distorted by "context effects" because respondents' reactions to questions were influenced by the preceding questions. Before asking about its privatization proposal, CATO's survey posed seven questions about different components of its proposal—none of which conveyed a balanced perspective on equity investments. In-

Table 1
Strengthen Finances by Increasing Retirement Age?
Percentage Opposed, By Education and Age

Questions: I'm going to read you some proposals to change Social Security to keep the system financially sound in the future. Please tell me whether you would generally favor or oppose each proposed change that I read. What about this proposal . . .gradually increasing the retirement age for Social Security from 65 to 69 without affecting people now receiving benefits? [PSRA] In order to keep the Social Security program financially sound in the future, would you favor or oppose each of the following proposals?) . . . Gradually increasing the retirement age for Social Security without affecting people now receiving benefits? [*WP*]

Source: Surveys by Princeton Survey Research Associates, January 1997, and the *Washington Post*, March 1997.

	PSRA	WP
Less than HS Grad	73	60
HS Grad	65	54
Some College	68	50
College Grad	57	44
Post Grad	59	46
18-29 yrs. of age	65	55
30-39	69	53
40-49	66	57
50-59	68	52
60-69	60	48
70+	52	35

Table 2
Strengthen Finances by Reducing the Rate of Increase of the CPI?
By Education and Age, Percentage Opposed

Question: There is now a proposal to reduce the government's offical measure of inflation, called the Consumer Price Index. This will reduce future cost-of-living increases in such programs as Social Security and veterans' benefits, but also will reduce the federal deficit. Do you strongly favor, somewhat favor, somewhat oppose, or strongly oppose reducing the Consumer Price Index in this manner?

	1996	1997
Less than HS Grad	46	45
HS Grad	41	60
Some College	46	56
College Grad	37	45
Post Grad	44	43
Less than $10,000	32	64
$10,000-$20,000	34	55
$20,000-$30,000	47	53
$30,000-$50,000	41	59
$50,000-$70,000	47	50
$70,000+	40	44
18-29 yrs. of age	29	45
30-39	37	49
40-49	49	57
50-59	54	61
60+	51	59

Source: Survey by NBC News/*Wall Street Journal*, December 1996 and March 1997.

stead, the seven questions primed respondents to focus on the most positive aspects of reform.

In contrast, we find that the public's initial enthusiasm for privatization fades and then turns to overwhelming opposition as respondents are offered more balanced information. Polls in December 1996 and January 1997 by NBC/*Wall Street Journal* found that the public split when informed that stock investment of Social Security contributions could produce benefits that are "higher or lower." The young, better educated, and more affluent remained generally supportive of privatization, but even their absolute levels of support dropped in response to more balanced questions. Another set of NBC/*Wall Street Journal* polls in January 1997 provided more information on risks and benefits and found that a majority of respondents opposed the reform. One item found that 57% focused on the danger of privatization when explicitly asked to weigh the "risk of losing money" against the "potential of higher returns." Another item reported that the costs of privatization outweighed its benefits for 61% of respondents when they were informed of the transitional costs of honoring the commitments to current retirees.

These surveys indicate that informing respondents more completely of the implications of privatization dramatically changed the proposal's support among the educated and younger cohorts. The better educated crossed over from being supporters to being among the proposal's most ardent opponents. The young remained the most open to market risk but were the most turned off by the transitional costs.

A final set of survey questions offered respondents a balanced choice and found the strongest opposition to privatization seen in the available data. Surveys by *Time*/CNN and *The Washington Post* asked respondents if they would favor privatization as a way to make money or oppose it because of the increased risks. According to these polls, between 56% and 63% of Americans, respectively, opposed privatization when given this choice.

The better educated and more affluent are more open to transforming Social Security to allow individual stock investment, though even this group remained split on privatization. A demographic breakdown of the March 1997 *Washington Post* survey results shows significant differences in the degree of opposition to privatization. The opposition of the less educated and the poor falls in the 70% to 80% range, while that of post-college graduates and the most affluent stands at 47%. But even with these large discrepancies, it is striking that even individuals who are most likely to gain from privatization remain divided. Moreover, although the oldest are the most fervent opponents of reform, the youngest are nearly as cautious.

Another puzzle about privatization remains. The surveys by *Time*/CNN and *The Washington Post* found that large majorities opposed privatization, but equally large majorities favored allowing individuals (rather than the government) to invest their Social Security taxes as they wish. The question wording, however, is critical: "If some social security tax funds are invested in the stock market, which do you favor.... [H]aving the government make this investment in a broad index fund, or allowing individuals to invest part of their portion however they would like?" The question presumes the very condition that the balanced frame items question — that privatization is enacted. The investment question tells respondents to assume that "some social security tax funds are invested in the stock market." The answer, then, to the puzzle is that Americans oppose privatization, but, if policy makers adopt it, they prefer to control their own investments.

Incremental reforms. Further evidence of the split between elites and the public is that even the incremental reforms that President Clinton and other policy makers consider a bare-bones necessity lack clear public support. An April 1998 Yankelovich survey for *Time*/CNN revealed that 75% of respondents opposed reducing payments for people receiving benefits. In terms of more specific measures, Americans do not support hiking the retirement age as a means for strengthening Social Security's finances. A long series of surveys since 1977 shows strong and sustained opposition to increasing the retirement age, including the 1998 Yankelovich poll, which reported that 73% were opposed. The public has been more divided on the issue of reducing the consumer price index (CPI). Two NBC/*Wall Street Journal* surveys showed that in December 1996 Americans favored reducing the CPI by a 47-43% margin; an altered question in March 1997 found public opposition by a 53-37% margin. Finally, a March 1997 *Washington Post* survey indicated 64% favored scaling back (but not cancelling) the benefits of upper income retirees in order to strengthen the program's finances.

Evidence of Americans' willingness to pay increased taxes is also mixed. A February 1996 CBS/*New York Times* poll found that 52% opposed paying higher Social Security taxes to strengthen the program's financial future; by March 1997, opposition appeared greater (61%) in response to a somewhat differently worded *Washington Post* question. When the public was forced to wrestle with the tradeoffs facing policy makers, they preferred tax hikes to benefit cuts. A 1997 survey sponsored by the Employee Benefit Research Institute (EBRI) forced Americans to choose between increasing payroll taxes on workers or decreasing benefit levels for retirees and found that 63% chose the former while only 32% opted for the latter. There was no significant difference between retired and non-retired respondents.[6]

No rigid battle lines divide older and younger cohorts or other segments of the public on these questions. The more successful—as measured by educational and income attainment—are relatively more supportive of strengthening Social Security's future finances by reducing benefits in order to cut spending. The elderly are sensitive to direct threats to their immediate circumstances. But the affluent and elderly regularly adopt positions that contradict their narrow personal stakes.

Table 1 shows that opposition to raising the retirement age was strong in all groups, though it was especially strong among the less educated, the poorest (data not shown) and the youngest—all groups who stood to lose the most from any change. (Changes in question wording may account for the change over time.) Table 2 reveals a more complex picture of opposition to reducing the consumer price index (CPI). Older Americans and the lower income groups (especially in 1997) were particularly defensive. But the better educated were only slightly less opposed than the least educated, and those earning above $50,000 in 1996 were more protective of the CPI than the lowest income groups.

Future Public Receptiveness

President Clinton has promised to push for Social Security reform in 1999, and public attitudes could change over time in reaction to the behavior of politicians and political activists. The public's views are especially likely to become more supportive of some reform if political leaders can agree on a common approach that balances the tradeoffs between raising taxes, cutting benefits, and one or more of the privatization options. What is clear, though, is that politicians or activists who oppose privatization or even incremental reforms could readily tap into an ample reservoir of public opposition or ambivalence. The onset of the presidential primary season in 1999 may well tempt politicians to appeal to deep-seated public uneasiness about changing a widely supported program.

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Endnotes:

1 Gallup conducted surveys in January 1981, January 1983, and Summer 1984; Harris in August 1981, September 1981, and May 1995; Yankelovich in December 1984 and May 1985; ABC/*Washington Post* in May 1995, September 1995, January 1996 and March 1997; Kaiser/Harvard in November 1994; *LA Times* in January 1995; and Roper in February 1995.

2 Six polls in the mid-1990s asked respondents, after they indicated support for a balanced budget, if they would favor cuts in Social Security to achieve it. These were ABC surveys in January 1995, March 1995 and January 1996; CBS/*NYT* surveys in February 1995 and April 1995; and a *Washington Post* survey in September 1995.

3 This question was posed by CBS/*NYT* in May 1982, January 1985, and November 1987; ABC/*Washington Post* in May 1985; *Time* and collaborators in February 1988 and May 1995; Kaiser/Harvard in November 1994; and Roper in February 1995.

4 Fay Lomax Cook and Edith Barrett, *Support for the American Welfare State* (New York: Columbia University Press, 1992); Susan MacManus, *Young v. Old: Generational Combat in the 21st Century* (Boulder: Westview Press, 1996); Laurie Rhodebeck, "The Politics of Greed? Political Preferences Among the Elderly," *Journal of Politics*, 1993, 55: 342-64.

5 "Remarkable Returns May Raise Unrealistic Expectations," *In the Vanguard*, Winter 1997.

6 Employee Benefits Research Institute, "Survey on Retirement Confidence," Wave VII, 1997.

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