INSTITUTE ON ASSETS AND SOCIAL POLICY

Monthly Perspective

A Real Ownership Society

Robert Kuttner - March 2005

A central component of President Bush's domestic policy agenda is the idea of an "ownership society." The premise is attractive, and deeply rooted in the American psyche. Ordinary people want the financial security, opportunity, and liberty that come with owning assets. For example, a homeowner has more security, and hence more liberty, than a renter. A person with a pension or a savings account will have more confidence when looking forward to retirement. An individual who "owns" skills and educational qualifications is better bolstered against economic change. Throughout American history, foreign observers from a number of nations have commented on the connection between the democratic self-confidence of Americans and the comparatively large proportion that owned homes, farms or businesses, as well as the relatively high degree of education of the common American.

Indeed, the idea of broadening ownership is far from new. Since the very early Republic, expanded ownership in the United States has been built on deliberate national strategies to promote rising incomes as well as the opportunity to build private wealth. Starting with Jefferson and continuing on into the Lincoln, FDR, and Clinton administrations , the ownership society has been promoted through federal policies and outlays such as: the land tenure system favoring yeoman farmers, the land-grant colleges and agricultural extension system, Social Security, federally guaranteed and assisted mortgages, tax favoritism and federal regulation for private pensions and health insurance, Medicare and Medicaid, and college aid. Security for individual owners, especially those of moderate income, has also been dependent on government regulations that: keep pensions from being looted; keep investment accounts from being fleeced; require accurate accounting and fair credit practices; and mandate fair labor standards and minimum wages.

So, when the President declares, as he did at his acceptance speech at the Republican National Convention, "ownership brings security, dignity, and independence," his words resonate very powerfully with the American public. The President went on to advocate a society in which "more people will own their health plans, and have the confidence of owning a piece of their retirement."

However, if you look at the details, Bush's program not only turns *away* from well-established, successful policy strategies that broaden ownership, they shift the risk on to individuals. Most of us don't want to "own our own health plan" if that means greater expense when we get old and sick, or higher premiums if we are deemed at risk of illness. We want to be part of a broad health insurance pool where the coverage is affordable and assured. Nor do we want to "own our own retirement" if that means the guaranteed part of America's pension system, Social Security, is raided.

The new push for an Ownership Society, ironically, comes at a time when government social investments and protective regulations are being reduced, and when a variety of risks (health insurance, pensions) are being shifted from large institutions (employers and government) onto individuals. In this context, the wrong sort of Ownership Society may actually make Americans less secure and less independent. Nonetheless, the President has done an immense service by putting the ideal of a society of owners front and center in national debate. We can all agree on the goal, but we need to carefully debate the means.

To broaden and deepen ownership, we need more social investment to help people of modest means accumulate financial assets and human-capital assets. We need social investment in early childhood so that kids can grow up with the means to become productive citizens. We need reliable, universal health coverage so that people do not go bankrupt paying doctor and hospital bills. And we need increased regulation so that insider opportunists do not loot the assets of ordinary people.

But in the storyline being put forth by libertarian conservatives, the historic role of social insurance is being transformed into a liability. Its insurance and security aspects are ignored, and its rate of return is invidiously compared with riskier investments and found wanting. The growing risks now threatening ordinary Americans are seen not as obstacles but as a tonic. The effect of income and employment insecurity on the ability of the working poor to acquire the habit of savings and join the middle class is conveniently ignored. Much of the failure of the poor to save is instead attributed to defects in character. (Somehow, the character of the poor must have declined during the Great Depression and mysteriously improved during the postwar boom.)

This is a debate we should welcome. Any fair look at how the American middle class has been built must credit the role of social investment. The shifting of greater risks to the middle class and the poor would deplete assets, not expand them. The President has done an immense service by putting forth the goal of broader ownership. However, any fair examination of the evidence must yield the conclusion that he is wrong on the details of how to get there. The opportunity is now ours to reclaim the important policies of social investment.

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