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Symbolic Politics: Government's War Against the Working Class

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Symbolism and substance are essential parts of any political system. In our system of government, we typically think of symbolism as serving substantive ends. Using a triangulation of methods (Participant Observation, Archival Data, and Documentary Evidence), the paper examines two cases (Social Security and criminal justice) and concludes that the mix between substance and symbolism has changed dramatically in recent years with symbolism now assuming the central role.

The current debates over Social Security funding and criminal justice sanctions, for example, are less about the concerns of old-age security or making the public safer as much as they reflect a type of class war in which employee pay and benefits are being systematically eroded and the "surplus" labor force is being defined as the dangerous classes. The problems in both areas are rooted in our economic system; that is, political leadership is following a "get poor" strategy by bidding down employee costs in an effort to compete with other low wage nations. This type of leadership is short-term and sacrifices the nation's longer-term prosperity.

A key recommendation for addressing the potential Social Security funding shortfall as well as providing an alternative sanction in the criminal justice system is to implement a full employment budget. An important part of achieving full

employment is by creating an investment budget that effectively forces lawmakers to invest in the infrastructure and other public works. It is with a full employment agenda that we can provide jobs for everyone seeking them and, concomitantly, lay the foundation for our future security through the enhanced productivity of the labor force. This recommendation is in line with full employment proposals dating back at least to the 1940s.

TABLE OF CONTENTS

Table of Contents—Continued

CHAPTER

CHAPTER

CHAPTER

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

THEORY AND METHODS

The Origins of Social Problems

Social problems are political creations. Whether an issue is placed on the public agenda or not is determined by groups or individuals having the power to do so. Thus, social issues with objective conditions do not necessarily become agenda items unless they have the backing of individuals or groups having the requisite influence within society. Early in this century, sociologist Max Weber used the term "vielseitigkeit" to refer to the multiplicity of meanings in the social world, a phenomenon that he called the many-sidedness of reality (Bourdieu, 1990).

There is competition within society over which "side of reality" becomes official. The "crime problem", for example, has been depicted in a variety of ways: as evidence of the breakdown of law and order, the demise of the family, or socioeconomic inequality and the need for policies to reduce it. While the harm victims suffer is real, our understanding of the meaning and causes of this harm depends on the ways in which the crime issue is apprehended in the public arena (Garland, 1990, p. 20). Defining the issue, however, is the critical arena for it is the outcome of that process that ordains the character of the public response.

Social problems acquire their meaning through the political process and thus they are social and political constructs. The social actors are called "claims-makers" as they struggle to gain acceptance for their way of framing these issues and compete for limited access to public venues in order to advance them (Kitsuse & Spector, 1973). In this contest to have their definition of a social problem accepted, claims-makers "deploy mediated symbols and mobilize powerful cultural references." (Ferrell & Sanders, 1995, p. 3). The Bush campaign's use of "Willie Horton" was a symbolic message designed to invoke in the public's mind the image of the coddled Black rapist roaming free to rape again and to establish which candidate was more capable of applying "get tough" policies to combat this image.

Social scientists employ models--abstract versions of reality--to aid in making clear the somewhat more complex process that occurs in the real world. In the model employed in this study, the life cycle of an issue passes through four stages: private recognition of the social condition as a problem; political agreement that the problem is appropriate for public decision; public debate and social conflict about the causes of the problem; and, a set of political outcomes of this sequence (Ross & Staines, 1972, p. 18). In varying degrees, substantive and symbolic politics interact at each stage of the process. Though both are present throughout, the major contention in this study is that in numerous important issues the scale has tipped in favor of symbolic politics since the late 1960s.

The Nature and Role of Power

Power determines the lifecycle of a social condition: power to recognize the issue; power to define it; power to attribute causes; and, power to either block or adopt a public policy solution. Power is a key social science term with several controversial meanings. The most common is Max Weber's definition of power as the ability to control others, events, or resources--to make happen what one wants to happen in spite of obstacles, resistance, or opposition. This is sometimes referred to as power-over. These include the ability to not act, as well as the ability to shape people's beliefs and values, as through control over the mass media or educational institutions (Gerth & Mills, 1946, p. 246).

Power-over reflects hierarchically organized social systems with the term being used in what are essentially adversarial relationships involving conflict between those with power and those without. This kind of power takes several different forms. The first is authority, which is power associated with the occupancy of a particular social status, such as the power of parents over children. This type of power is socially defined as legitimate. Coercive power, on the other hand, is based on fear and the use of force. It lacks social legitimacy. Legitimacy of power, however, is essential in every society if it is to endure. Authoritarian regimes, for instance, cannot survive for long without taking steps to assure some form of legitimacy.

Marx viewed power in relation to social classes and social systems rather than individuals. Marx argued that power depends on the social classes' position in relationship to production, with the capitalist class ownership and control over production being the most influential. From this perspective, the importance of power lies not in relations among individuals but in domination and subordination of social classes based on their control over production.

Functionalists such as Talcott Parsons argue that power is not a matter of social coercion and domination but instead flows from a social system's potential to coordinate human activity and resources in order to accomplish goals. From this perspective, the power of the state rests on a consensus of values and interests in the name of which the state acts toward the greater benefit of all.

Though each definition contains elements of truth, they are essentially static views of power. They fail to capture the dynamics of the struggle for power among individuals and groups in society. In a truly political definition of power, a more dynamic concept is needed that views power occurring not for itself but over the "authoritative allocation of values." Conflict is the missing component in the static definitions of power. Conflict occurs when some members of society strive to assign their interpretation of values, gain social justice, or achieve or maintain economic advantage. In any society, therefore, conflicts between persons or groups are the common consequences of social life.

The life cycle of a social issue, for instance, is a model that represents a series of conflicts over whose version of reality will prevail. When viewed from this perspective, we assume that: (a) norms and values are not equally distributed or accepted among members of society, (b) at every point society is subject to change, (c) at every point it displays opposition and conflict, (d) every element contributes to change, and, (e) it is based on the coercion of some of its members by others (Quinney, 1998, p. 214).

This dynamic view of power means that there is a differential distribution of power and authority in society (Dahrendorf, 1959, p. 165) struggling over "the authoritative allocation of values"(Quinney, 1998, p. 214). Power, therefore, is utilized not as an end in itself, but as a vehicle for the enforcement of scarce values in society, whether material, moral, or otherwise. The use of power affects the distribution of values and values affect the distribution of power. This means that in every social organization some positions are entrusted with a right to exercise control over other positions to assure effective coercion. The differential distribution of power thus produces conflict. The two concepts are inextricably linked. Wherever men live together conflict and a struggle for power will be found (Quinney, 1998, p. 215).

Power and the authoritative allocation of values are basic in forming public policy. Groups with special interests become so well organized that they are able to influence the policies that are to affect all persons in society. These interest groups exert their influence at every level and branch of government in order to have their own values and interests represented in policy decisions (Truman, 1951, pp. 7-51).

Power can be defined, then, as the ability of persons and groups to determine the conduct of other persons and groups (Gerth & Mills, 1946). Naturally, there is an advantage for those groups that can minimize the competition for power, resources, or values. In the private sector, efforts to minimize the competition are called monopolistic. In the public sector, it is called controlling the agenda. Symbolic politics is one of the key methods for controlling the agenda. The term "free market," for instance, resonates deeply in the public psyche. It is terrible in our society to be called "Anti-market" or "socialist." Rarely do policy alternatives go outside this symbolic boundary. The ability to conduct a symbolic campaign, however, depends on power and to have power one must have access--access to the key points in the political process and to the media. As we shall see, however, access is unequally distributed in our society and thus power is also unequally distributed.

Symbolic Politics

Politics organizes the hopes and fears of our nation. Political responses to these hopes and fears come in various forms ranging from a president telling a public moved by tragedy that "he feels their pain" to a government responding to a natural disaster in which the government marshals its resources to remove this stigma from our society. Feeling their pain is an example of symbolic politics in its purest form while the War on Poverty is more substantive because there is a sustained effort and resources devoted to a problem.

Not every political action can be as easily characterized. Political actions tend to occur along a continuum between actions that are totally symbolic and actions that are totally substantive. Most often, they work in tandem with symbolic politics supporting substantive positions. Symbolism in politics forms a meaningful part of the political activity of any nation. It provides virtue to governments: it selects leaders; it advances programs; and it defines the terms of debate. Often, the central battle in politics is "the struggle over whose symbolic definition will prevail"

(Edelman, 1988, p. 12). Control of the symbolic actions of government is as important as the control over its substantive effects (Edelman). One writer views the manipulation of words to define situations as central to political activity. Another writer says that the theatrical staging of oneself and the situation is the politician's trade (Edelman, p. 12).

A symbol can be any object. All that is needed for an object to become a symbol is for people to give it meaning beyond its actual substance. Indeed, a normative definition of a symbol is anything in which human beings place a meaning beyond the physical characteristics of the object itself. Anything can become a symbol--a word or a phrase, a gesture or an event, a person, a place, or a thing. An object becomes a symbol when people endow it with meaning, value, or significance (Cobb & Elder, 1983, pp. 28-29). Symbols serve collective ends when their meanings are widely shared by the public. Symbols consequently serve as a means of social transmission because they are concurrently a component of societal significance as well as individual significance. Symbols accordingly provide the vital link between the individual and the larger political order.

At the same time, however, symbols serve to curb the individual's perception of a problem and the alternatives. They mediate the association between the individual and social reality, providing widely shared but limited meaning to political actions. These limited meanings are often false and result in the public being misled by government actions that are not in their best interests. A public uninformed about the realities of a problem is also uninformed about its consequences. But, perversely, that is how we measure the success of symbolic politics.

Symbolic politics implies that a political elite somehow manipulates public opinion. This proposition is not new and, indeed, has gained a growing number of advocates over the years (Altschull, 1995; Barak, 1995; Beckett, 1997; Corrigan & Sayer, 1985; Herman & Chomsky, 1988). But a number of social scientists tend to view public opinion as a crucial starting point, or "input," to the political system (Goodin, 1976; Green & Shapiro, 1994; Lipset, 1969; Pennock & Smith, 1964; Riker, 1988). Political responses are said to derive in some fashion from public opinion. Lipset (1969), for instance, sees our current policies flowing from deeply held American values. Many social scientists, therefore, focus on how well public opinion is gauged and how various political wants are combined into policies based on the public's demands. The "outputs" are some mix of these inputs or demands. This is the method that many academicians use to describe "who gets what, where, when, and how."

But, it is difficult to reconcile this approach to the study of politics with a public opinion that is manipulated by politicians and other elites. Politicians indeed follow closely public opinion polls but it is not so much to determine what the public thinks as to learn how best to manipulate that opinion. In a sense, this is the new politics. Under symbolic politics, the inputs to the system are not the public's attitudes but the attitudes and opinions of those in a position to exploit the public's predisposition for narrow ends.

The phrase "get the government off our backs," for example, became a galvanizing symbol of the Reagan-Bush era. For the public, this phrase meant shrinking the size of a government that had become too obtrusive in our lives. The reality meant something entirely different--government would get off the backs of only business and the wealthy. For the working class, government would act to reduce those things that had consequence for the middle-class--investing in the infrastructure and people and maintaining a progressive tax and expenditure system. In other words, the "our" spoke to a very narrow segment of society. The public was unaware of the true meaning of this highly popular symbol and it paid the price for its naiveté--through declining real incomes and job security while the rich became incredibly richer.

Substantive Politics

Substantive politics means devoting both commitment and resources toward an objective social condition. It is the type of politics in which our political leadership places issues before the public not because they are popular but because they are real problems confronting the nation. Rather than diverting the public's attention from the issues through a multitude of deceptive charades, the nation is forced to confront real problems. Leadership is essential to substantive politics, while in symbolic politics leadership is mere imagery. Not only is leadership required to help maintain focus on the issue, but also in dispelling myths that always seem to arise around our major social issues. Of course, political leadership normally employs myths of its own when dispelling other myths. Political leaders often draw attention to the existence of a problem and the merits of possible solutions by employing some form of symbolism. Politicians have incentives to be vague about frictional issues, thus they frequently condense their substantive arguments into symbols.

The winners under substantive politics are the targeted populations, not some unspoken population that prevails by virtue of its status in society. The real victors, however, are the citizens for they will know the meaning of combating genuine economic and social problems. More importantly, it can serve to make public opinion "rational" because it will be informed. This is in contrast to the closing of the public mind that has occurred under our nation's "management" of public opinion. This may appear naïve, especially in the era of symbolic politics. But this nation has a long history of acting with meaning and purpose. It is a history that we must look to now given the nature of our real problems--a degenerating working class, a shameful inequality of income, and excessive poverty.

Some examples of substantive politics are many of the policies implemented during the Great Depression. Infrastructure investment, for instance, played a central role in fighting the widespread joblessness of that era while at the same time promoting the long-term prospects of the economy. Thus it served both a short-term need and a longer-term obligation. The Public Works Administration (PWA), created under Title II of the National Recovery Act, was given the task of expanding federally sponsored public works projects in order to provide employment and stimulate the economy. It became the primary weapon used by President Roosevelt against the depression.

The PWA Director, Harold Ickes, was determined that spending be directed toward improving the economy over the longer term. "We set for ourselves at the outset the perhaps unattainable ideal of administering the greatest fund for construction in the history of the world without scandal" (McElvaine, 1984, p. 152). For all practical purposes, the PWA attained that ideal. The Agency registered a record of efficient use of funds and left a legacy of public infrastructure that most analysts agree provided the foundations of the rapid rise in productivity and prosperity of the 1950s and 1960s (McElvaine, p.152).

That record included the bridges on the hundred-mile causeway leading from the mainland to Key West, Florida; the Grand Coulee, Boulder and Bonneville Dams; the Triborough Bridge in New York City; and some 70 percent of all new educational buildings, sewage systems, port facilities, and hospitals (McElvaine, 1984, p.153). The PWA served immediate needs by providing desperately needed employment and income and long-term needs by building an infrastructure to support America's greatest period of economic growth and prosperity.

Also emerging from the Depression years were Social Security and Public Assistance. These programs were given a tremendous boost under Lyndon Johnson and his "Great Society." Although fighting poverty has not been politically fashionable in recent years, the early years of the "War on Poverty" were ones of accomplishment. The safety net programs were first and foremost designed to attack poverty, a task that they once did well.

How well did the safety net do? A number of studies have examined the effect of welfare payments on poverty. One approach is to compare pre-transfer poverty (the percentage of families who are poor when one counts all income while ignoring governmental transfer payments) with post-transfer poverty (the proportion of families who are poor after counting all income including transfer payments) and consider the difference to be the anti-poverty effect (see Donziger, Haveman, & Plotnick, 1986, for a review).

The most recent study using this approach was conducted by the Center for Budget and Policy Priorities, a liberal think-tank in Washington, D.C. Its 1997 study, *Poverty Rates Fall, but Remain High for a Period with Such Low Unemployment,* showed the percentage of the poor lifted out of poverty by government transfers to be 43.6 percent or 24.7 million people (Table 1). That represents an increase over 1987 of 5.1 million persons lifted from poverty.

The Earned Income Tax Credit added 1.7 million to the list of people lifted from poverty in 1996. The total for that year was 26.7 million, or 46.6 percent of the pre-transfer poor lifted from poverty. Although the number and percentage of pre-transfer poor lifted from poverty by the safety net was higher in 1996 than in 1987, the impact of the safety net was far from its historic highs. In 1979, the earliest year for which the Census Bureau gathered such data, government transfer programs lifted 48.1 percent of the pre-transfer poor from poverty. The effectiveness of the safety net in reducing poverty fell dramatically in the 1980s and, while it has increased in recent years, it remains below the 1979 level.

Table 1

People Lifted From Poverty by Social Security and Means
Tested Cash Assistance, 1987-1996

	1987		1996	
	Number (Millions)	Pct.	Number (Millions)	Pct.
Social Security	15.3	30.8%	17.8	31.0 %
Cash Assistance	1.8	3.7	2.9	5.1
Non-Cash Assistance	3.5	7.1	4.3	7.5
Total Lifted from Poverty	20.6	41.6%	24.7	43.6%

Source: Center for Budget and Policy Priorities, "Poverty Rates Remain High for a Period with Such Low Unemployment," June 1997.

Table 2 demonstrates this phenomenon by showing the relative effectiveness of anti-poverty programs over time. As demonstrated in the table, poverty for the elderly fell dramatically over the period, going from 28.5 percent in 1966 to 10.8 percent in 1996. For the other age categories, the situation has grown worse since the early 1980s.

This was a period when many politicians claimed that our anti-poverty programs did little to eliminate poverty despite the resources the nation was committing. According to a House Committee on Ways and Means study, however, between 1960 and 1972 welfare benefits were raised dramatically. The combined weighted state average AFDC plus Food Stamp benefits for a family of four measured in 1986 dollars rose from $7,066 in 1960 to $9,359 in 1972. Since 1972,

Table 2

Percent of Population Living in Poverty by Age Group

Year	Age 64 and Over	Age 18-64	Under Age 18
1966	28.5	10.5	17.6
1967	29.5	10.0	16.6
1968	25.0	9.0	15.6
1969	25.3	8.7	14.0
1970	24.6	9.0	15.1
1971	21.6	9.3	15.3
1972	18.6	8.8	15.1
1973	16.3	8.3	14.4
1974	14.6	8.3	15.4
1975	15.3	9.2	17.1
1976	15.0	9.0	16.0
1977	14.1	8.8	16.2
1978	14.0	8.7	15.9
1979	15.2	8.9	16.4
1980	15.7	10.1	18.3
1981	15.3	11.1	20.0
1982	14.6	12.0	21.9
1983	13.8	12.4	22.3
1984	12.4	11.7	21.5
1985	12.6	11.3	20.7
1986	12.4	10.8	20.5
1987	12.5	10.6	20.3
1988	12.0	10.5	19.5
1989	11.4	10.2	19.6
1990	12.2	10.7	20.6
1991	12.4	11.4	21.8
1992	12.9	11.9	22.3
1993	12.2	12.4	22.7
1994	11.7	11.9	21.8
1995	10.5	11.4	20.8
1996	10.8	11.7	20.5
Pct.Chg.96/66	-62.1%	11.4%	16.5%

Source: U.S. Bureau of Census Data, Current Population Reports, Series P-60.

benefits have fallen sharply. In 1986 they averaged $7,519—a fall of over 20 percent since their 1972 peak, and a real increase of only 6 percent since 1960 (Bane & Ellwood, 1994, p.111).

Poverty began to reverse itself when resources were reduced. Those ages 18-64 saw a decline from 1966 through 1979 from 10.5 percent to 8.7 percent respectively. Then they began a steady rise to 11.7 percent in 1996. For children the situation is worst of all with their poverty rate going from 17.6 percent in 1966 to a low of 14 percent in 1969, remaining at about that level until 1978, and then rising steadily to 20.5 percent in 1996. Children have replaced the elderly as the nation's poorest population, with more than one out of every five living below the poverty line.

The Characteristics of Symbolic Politics

There are several primary characteristics of symbolic politics:

1. Money, power, and prestige are granted by the political system to a select few while the public is given assurances that government is really tending to their interests. Symbolic politics is about protecting the power and privileges of our political and economic elite through the peaceful method of "manufacturing consent" of a public that is unaware of whose interests are being served.

2. Politicians can easily manipulate public opinion by telling the people what they want to hear based on their predispositions rather than telling them what they need to hear based on the facts.

3. A fundamental objective of any symbolic campaign is to deflect the public's attention from the real issues by fomenting a series of phony "crises."

4. A problem to some group is a benefit to another because it increases the latter group's influence.

5. Symbols need not be factually true, but will sometimes appeal to feelings and ideas that people want to believe are true.

It is typically the general public that pays the costs of the largesse granted to the select few. Under symbolic politics, political leaders manipulate public opinion through programs allegedly targeted to the general public but really directed at a different audience altogether. Either by distorting or hiding the facts from the general public, or lying with statistics that do not mean what politicians say that they mean, or both, they achieve their desired ends. Symbolic politics is about illusion. It works by having the public believe that the government is responding to their needs when, in reality, it is not.

In every political act there are winners and losers. The winners in symbolic politics are the elected officials and the moneyed elite. Politicians through their manipulation of public opinion both achieve and maintain power. The moneyed elite win by gaining access, money and status rewards from the political system. In politics, appearances are reality, and the reality is that the political system is based more on appearances than substance. For example, it does not matter that the "crisis" in Social Security funding may not be a crisis but only that the politicians say that it is. The perception persists despite evidence to the contrary. But evidence is not political reality.

Similarly, politicians have long boasted about the progressive nature of our income tax system--based on the ability-to-pay--while at the same time adopting numerous tax expenditures (or loopholes) aimed at business and the wealthy. This has been a favored method of the political class currying favor with the moneyed class. The notion of a progressive tax system is an artifact of the past, and not a part of our current system of taxation. But that does not stop politicians from confusing the reality with meaningless statistics designed to disguise the fact that our tax system has become regressive.

A study done in 1991, for example, found that after adjusting for the interactive effects of tax expenditures, our federal income tax was regressive (For a more complete discussion of Tax Expenditures, see Warren Gregory, *Silent Spending: Tax Expenditures and the Competition for Public Dollars,* Michigan House Fiscal Agency, 1990). State and local taxes have become regressive in little more than a decade. For example, Citizens for Tax Justice found that middle- and low-income families pay a much higher percentage of their income in state and local taxes than do the very well off:

1. The average state and local tax rate on the richest families is only 7.9 percent.

2. Families in the middle of the income spectrum pay 9.8 percent or fully one quarter more than the wealthiest families.

3. The poorest families pay a whopping 12.5 percent of their incomes in state

and local taxes (Citizens for Tax Justice, June, 1997, p.3).

Income taxes paid by corporations now contribute about 10 percent to total federal revenues, which is a marked contrast to the near 28 percent that they paid during the 1950s. Much of the decline is due to generous tax expenditures--accelerated depreciation, tax preferences to specific industries and other general tax preferences. In fact, the entire federal revenue structure has become markedly regressive, especially when one considers social security "contributions," another piece of symbolism that indicates that it is an insurance plan and therefore not counted as a tax. Table 3 shows the array of taxes from the decade of the 1950s through 1997. In addition to the corporate income tax falling, there was a sharp increase in the Social Security Tax, going from an average of 11.8 percent in the 1950s to an average of 36.7 percent in the 1990s. In the 1950s, the personal income

Table 3

Percentage Distribution of Federal Taxes From 1950 to 1997

	Income	Corporate Income	Social Security	Excise	Other	Total
1950-59	43.1	27.6	11.8	14.5	3.1	100
1960-69	43.9	21.3	19.2	11.1	4.5	100
1970-79	45.3	15.0	28.1	6.3	5.3	100
1980-89	46.2	9.3	34.6	4.9	5.0	100
1990-97	44.0	10.6	36.7	4.0	4.8	100

Source: Historical Tables: Federal Budget of the United States, Table 2.2, Income taxes paid by corporations now contribute about 10 percent to total.

tax was nearly four times as large as the Social Security tax, but by the 1990s they were rapidly nearing parity--44 percent income tax to 37 percent social security.

The Life Cycle of Social Problems

Step One: Private or Interest Group Recognition

Symbolic politics is an important weapon in the struggle for power because of its major assumption that a political elite manipulates public opinion. Largely through the power of this elite to strike from the public agenda conditions that are unfavorable to them, they hold the power of non-decision. The assumption of harmonious social interests and shared ends, which is supported by the general culture and mass media, moreover, provides an important prop in the "non-decision" which keeps system changing alternatives from the center of public attention (Ross & Staines, 1972, p. 38). Max Weber argued long ago that "so-called public opinion" in a modern democratic society was for the most part stage-managed by political leaders luring the press into manipulating the masses to accept the social order with good cheer (Hardt, 1979, pp. 159-86). Edelman (1988) expressed similar sentiments when he wrote: "Symbolic politics tends to mute the debate over the means of relieving theses issues by communicating a wide sense of sharing of sympathy over their plight" (p. 58).

There are no conflicts of interest in symbolic politics because the language tends to moderate the intensity of social conflict--even as the condition lingers on year after year and even grows worse. Segregation, for example, has been a lost word in the American vocabulary. It is not mentioned by politicians, public officials, journalists, or by the various think tanks.

If these groups have been reluctant to acknowledge segregation's existence, they likewise have been blind to its consequences. Residential segregation is not a neutral fact—it systematically undermines the social and economic well being of American Blacks. Because of racial segregation, a significant share of Black America is condemned to a social environment where poverty and joblessness are the norm, where a majority of children are born to unwed mothers, where most families are on welfare, where crime is rampant, and where social and physical deterioration abound (Massey & Denton, 1997, p. 144)

The issues that challenge the system are classified as primary issues because their resolution involves a rearranging of our labor markets and other social institutions, which the elites find unacceptable. It is here that symbolic politics is sovereign--but it is here also that substance is so vital to our future.

The assumption is that non decision-making contributes to privilege by emphasizing action in the symbolic and cultural sphere--a view appropriate to our concern with definitional processes. The symbolic and non-symbolic aspects of the influence of privileged partisans are stated in Bachrach and Baritz's (1962) observation about the "mobilization of bias" in a community. The analyst of power, they contend, must examine "the dominant values and the political myths, rituals, and institutions which tend to favor the vested interests of one or more groups relative to others" (pp. 947-952).

Although the careers of different social problems do lead to widely varying results, the pattern of outcomes for elites remains relatively constant. The definitional process described here take place within some general constraints that ensure and preserve the cumulative privilege of the advantaged classes. Almost never does the career of a social problem give rise to widespread causal attributions that place the structure of privilege or production at the center of the analysis. The results from the definitional process often produce dislocations in society, but rarely, if ever, do they redistribute resources from the privileged to the masses.

The approach to social problem definition that stresses political processes leads to the conclusion that the nature of outcomes is related over the long run to constellations of power, influence, and authority which process and filter the problems a society sets itself.

Step Two: Political Recognition

Visibility and legitimacy are two important concerns at the political recognition stage. Visibility can be measured in several ways, for example, how important does the general public rate the issue? How much media coverage does the issue receive, how intense is the response of elites other than the media to the issue? (Ross & Staines, 1972, p. 21). Once an issue has at least some salience, the questions of its legitimacy become pertinent. An issue can be defined as legitimate to the extent that people agree that a genuine social problem exists and that attention should be directed to its solution. The current Social Security "crisis" is an excellent example of people broadly agreeing that there is a social problem needing attention. If objective reality shows that the crisis is minor or does not exist, however, the solution adopted would have misled people through the fear created by the symbolic phrases such as "bankrupt" or "benefits not being there at retirement."

The important actors at the public recognition stage are the media and public officials. An issue can gain legitimacy through its coverage in the media. It is in the media, however, that inequalities are apparent. The issues that the media chooses to cover are largely dependent on what public officials think a problem is. The mass media are drawn into this symbiotic relationship with powerful sources of information by economic necessity and reciprocity of interest (Herman & Chomsky, 1988, p. 19). Because the media cannot be in all places, they need to be where significant news occurs—the White House, the Pentagon, and the State Department. These are centralized locales of such news activity. Locally, city hall and the police department serve as regular news beats (Herman & Chomsky, p. 19).

These organizations turn out a large volume of material that meets the demands of news organizations for reliable, scheduled flows. Fishman (1978) calls this "the principle of bureaucratic affinity: only other bureaucracies can satisfy the needs of a news bureaucracy." (p. 143). Also, these official sources provide information that is portrayed as "presumptively accurate" (i.e., they do not require much costly investigation), which protects the media from accusations of bias or the threat of lawsuits.

Representatives of big business also have special access by virtue of their subsidization of the media. In addition to advertising dollars, organizations like the U.S. Chamber of Commerce provide the media with facilities in which to gather "news," give journalists advance copies of speeches and forthcoming reports, and schedule press conference around news deadlines (Fishman, 1978, p. 153). Because of such continuous contact and mutual dependency, powerful organizations can use personal relationships, threats, and rewards to influence and coerce the media. The media may feel obligated to mute criticism or carry dubious stories in order not to offend their sources and threaten a close relationship.

Through their dominance of the media, public officials often follow the largely symbolic strategy of controlling the public agenda, that is, controlling what issues become legitimate public problems (Ross & Staines, 1972, p. 22). Frequently these claims-making activities seek to shape and transform public policy in accordance with particular visions of state and society (Corrigan & Sayer, 1985, p. 3). While non-elite claims-makers are sometimes able to influence media coverage, the mutual interdependence of the state and the mass media means that officials are uniquely privileged in the contest to legitimize social problems. This privilege does not always guarantee success because elites must have the capacity to select symbols and rhetoric that resonates with deep--seated myths (Bennett, 1980, p. 58). But it is evident that the participants for the public mind dedicate considerable time and money to creating and promoting images than to any other goal—and to making the news media their chief agents in the quest (Altschull, 1995, p. 159).

The common wisdom is that the news media that plays a major role in shaping public opinion. A primary contention of this research is that the holders of power shape public opinion by using the news media as their primary weapon. David Gergen, a "spin doctor" for presidents Nixon through Clinton, stated that it was under Nixon that that the formula for marketing the president and his policies made its mark. Gergen called it "a systematic program of propaganda" (Kelly, 1993, p. 57).

Step Three: Analysis of Social Problems

There are two basic modes of analyzing the causes of a social problem--personal attributions and systemic attributions. The various actors have a vested interest in having their analysis accepted because how a social problem is analyzed largely determines the political response. Officeholders, for example, have a strong interest in applying personal attributions to problems and to denying that it is the fault of the system. Poverty is largely created by the breakdown of values in society, for instance, rather than a failure in the education or economic system. The former is much easier to resolve while the latter would require fundamental challenges to the status quo.

Personal attributions also resonate well with the public. In his book The Emerging Republican Majority (1969), author Kevin Phillips saw correctly a shift in political allegiance from the Democratic Party to the Republican Party largely in response to unpopular Democratic positions on social problems. There was something wrong with the system according to many Democrats, and many of the Black demands for economic and social justice must be confronted. Telling the people what they wanted to hear rather than what they needed to hear became a major political strategy. Authorities began blaming the Civil Rights protests on the undesirable personal qualities of those involved, either their leaders (professional revolutionaries, outside agitators), or their typical participants (criminals, misfits, dupes). Authorities denied that it was a fault of the system and therefore denied that reasonable grounds existed for protest, or reason for challenges to their legitimacy (Ross & Staines, 1972, p. 26).

Often, this process produces bizarre results. Our criminal justice system, for example, holds individuals responsible for crimes. But, when it does so, it implicitly conveys the message that the social conditions in which the crime occurred are not responsible for crime; that the social order itself is reasonable and not intolerably unjust (Reiman, 1998, p. 158). This bit of ideology, as we shall see, has resulted in the construction of new prisons on an unprecedented scale, while at the same time ignoring the labor market, segregation, and most other systemic problems.

This massive commitment of resources to prisons has long-term consequences. The resources committed necessarily means fewer resources going to alleviate system conditions such as poverty, segregation, education, and jobs. Committing resources to these systemic conditions, after all, would amount to an admission that few politicians could make. Over the long term, these system conditions continue to plague society but, in addition, we have permanently scarred millions of our youth by labeling them as deviants. Few will ever participate in a meaningful way in our economy, few will pay into social security, and few will raise a family with values much beyond theirs.

Although the out-of-power Party tends to blame the system--they challenge the incumbents' world-view, their linkages to policy, and their compassion for the plight of large masses of unblemished but poorly treated people--once they become the "ins" they tend once again to contest on the basis of the personal attributes of the opposition versus the incumbent (Ross & Staines, 1972, p. 27). If the elected leadership does accede to weaknesses in the system, it is normally done on the basis of "inherited" problems that will take time to overcome.

Step Four: Political Outcomes

The conflict over symbolic issues--e.g., problem definition--and substantive matters between the authorities and the target group may generate significant outcomes for the policy process, the more privileged competitors in the contest, and other more privileged partisans. The way in which interested parties handle the conflict over problem definition and related matters has important implications for policy outcomes. The accuracy of problem diagnosis, for example, determines in part the effectiveness of policy decisions. If there is inordinate emphasis on personal factors in the diagnosis of a social problem, the resulting policies and programs will founder against situational or structural impediments (Ross & Staines, 1972, p. 36).

The Reagan administration emphasized that Americans were on a "spending binge" in order to explain the savings decline. This illustrates the problem of misdiagnosis. The policy measure taken was tax reductions skewed toward the wealthy because this class is more likely to save. It did not work as savings rates have continued to plummet downward from 1980 through the present. The assignment of blame to the individual habits of consumers masked the real problem of declining real income for the majority of Americans. More emphasis should have been placed on system problems. The latter, however, would require more complex and costly solutions to the problem whereas individual attribution could provide a simpler, less costly "solution," which fits a pre-established political objective. That objective was, quite simply, to redistribute income from the poor to the wealthy.

Does the presence of upper-class personnel in opinion forming foundations, or citizen groups, or ownership of the mass media, demonstrate, per se, activity that protects their class or group interests to the detriment of the mass interests? We can discern many points at which such a question is vital: the access that privileged interests have to a series of intervention points in the creation of a public agenda; our cultural heritage which biases solutions by their very use of symbolic language (e.g., the market system); the ability of officials to define underdog challengers as misfits, or criminals and then have their view reported as fact.

When an issue containing sufficient objective conditions to merit a public response is defined not to be a social problem, it is a form of non-decision. It is the non-decision making power, or influence over decisions, that strikes from the public agenda issues unfavorable to the privileged classes. The assumption of harmonious social interests and shared ends, which is supported by the general cultural and mass media apparatus, provides an important prop in non-decision making. This keeps potentially valuable alternatives from the center of American attention.

The issues of a poorly maintained infrastructure and an excess labor supply coexist as objective conditions. Placing the two issues together would provide solutions that are "anti-market"; our failure to do so means that the public is denied a potentially valuable option. It is a solution that could provide badly needed jobs and training to our labor force; generate much needed capital investment in this nation; and at the same time reduce crime and help resolve our social security problem.

Social Science and Economics

A research project should strive to be a contribution to the academic literature and to be of practical value to the public. This is not an easy task as witnessed by the number of social scientists who only write for other social scientists. Policymakers, however, have inserted economic approaches into the political arena while tending to ignore the work of other social sciences. The economic approach to research, nonetheless, suffers from dangerous oversimplifications. The premise that individuals rationally maximize their pleasure while avoiding pain (utilitarianism), for example, was adapted virtually intact to criminal justice. The results of this application have been a series of remedies that are far too severe; its account of human motivations far too overly simplified to be believable--except by those politicians who agree with its prescriptions for largely political reasons.

Yet, politics and economics have been combined in policy formulas that are politically motivated, using empirically unverified economic approaches to social problems to legitimize current policies. Politicians find them convenient primarily because the more simplistic the notion, the easier it is to "communicate" with the public and provide it with "solutions." The point is that many politicians find that the personal attributions of causation found in much of the economic literature can legitimize their policy directions.

James Buchanan and Gary Becker, for instance, won Nobel Prizes for their work on rational choice theory and are widely cited by the political elite today. Rational choice theories have become conspicuous, if not the most conspicuous, in the political science journals. Invisible in earlier years, in 1952 rational choice scholarship accounted for 15 of 41 articles in the *American Political Science Review-*—the discipline's leading journal (Green & Shapiro, 1994, p. 3).

Despite the fascination with rational choice models within the discipline and policy leaders, there exist several significant problems. Among the most important problems are: (a) the universalistic scope of the theory itself, and (b) building rigorous empirical tests from rational choice theory. The two problems are related.

Rational choice theorists "are committed to a principle of universality," Ferejohn (1991, p. 281) observes, "according to which all agents always act to maximize their well-being as they understand it, based on their beliefs, preferences, and strategic opportunities." As rational choice theory has evolved, however, the universalistic assumption appears more wistful than factual. One account advocated by Elster (1986, p. 7), for example, may be described as partial universalism. According to this view, individuals acting to maximize their interests explain part, but not all, of political outcomes. For Elster, rationality should play a privileged, but not exclusive, role in explaining political outcomes.

Ferejohn goes further in undermining the universal nature of rational choice by suggesting that unless the concept of rationality is supplemented with additional assumptions about human nature, rationality itself cannot fully account for the selection of one outcome over another (1991). This leads him to argue that rational choice theory should be complemented by other partial theories--an approach that closely resembles what the rest of social scientists try to achieve through their partial theories of reality.

A more radical revision to rational choice theory can be called "segmented" universalism. This approach to rational choice holds that its explanations are successful only in certain domains of political life. Rational choice models have not been able to adequately explain voter turnout. Rational choice theory also cannot explain the behavior of consumers. But, the theory can explain the actions of firms with better success and, hence, the discipline should concentrate on the behavior of political parties rather than voters.

This has led to problems with empirical analyses that support the rational theory models. In 1978, for example, McKelvey and Rosenthal (pp. 405-406) noted that although game theory had achieved a substantial impact on political science at the conceptual level, only rarely had it led to rigorous empirical analysis of real world political behavior. Little has changed since. In his review of the literature on legislative politics Krehbiel (1988, p. 259) points out that during the past decade several breakthroughs have increased the usefulness of the models, but he indicates that empirical successes are as yet difficult to identify.

The notion of self-maximizing behavior has proven difficult at best, and many rational choice theorists have flirted with abandoning it altogether. Thus McKelvey and Ordeshook (1982) argue that political candidates employ complex political strategies, even if the substantial numerical complexities required by these strategies make it doubtful that the candidates could ever "compute and abide by such decisions."

Social scientists have known for years the need to look at the interactions within our institutions to gain insights into power, decision-making, and outcomes. Because rational choice theorists have failed to empirically test their number one assumption—maximum utility—they have adjusted their theories to look like the majority of social science. They thus apply inductive reasoning rather than universalistic, deductive reasoning; that is, trying to infer motivation from specific cases rather than assuming intentions as causal and applying that intention to all cases.

Yet, the political system continues to find rational choice theories attractive. The major reason, one suspects, is that they tend to defer any accusations of fault with the system. Although in practice rational choice theorists have backed off of self maximizing behavior as causal in every circumstance, and have been unable to go from theory to empirical model, their theories placing blame on individuals rather than on systemic conditions continue to thunder in political circles.

Sociologists, in contrast, can write about human motivations in breathtaking detail but rarely are heard in the political arena. One reason is that sociologists tend more often to find social conditions caused by problems with the economic or social system. Our political system far too often attempts to make the complex simple, or supply a simple rationale for a complex problem. That is one reason why economics is the policy weapon of choice among our political classes. Explanations such as welfare causing welfare tend to have substantial political appeal. Economics supplies the fuel to reform welfare in a too little thought out fashion, often failing to use available research but rather employing untested economic theory. They argue in effect, "when people can obtain money by doing nothing, then the rational choice is to remain unproductive." It is intuitively appealing and represents one reason why economics, with all of its oversimplified notions, can affect policymaking. Economics has prescriptions but prescriptions that blame the individual rather than the system vindicate current policy directions and make it much easier to ignore changing the system.

To be useful, sociology must integrate the virtues of economics without succumbing to its vices. In turn, sociology must strive to become more practical. Economics has had an impact on the social sciences in the sense that the borders between economics and the rest of social science are now much more open. There is no desire, however, among many economists to draw from social science; everything in their view that has been produced until now by non-economists in the social sciences can be dispensed with and replaced by the insights gained by using the economic approach. This view is part of what has come to be called “economic imperialism” (Etzioni & Lawrence, 1991, pp. 28-29).

What is needed to counter economic imperialism into a kind of renaissance in the study of social sciences. This new approach should include, at minimum, (a) more collaboration between the various social science disciplines in order that multiple approaches can be used to study social conditions; (b) open borders between the social science disciplines, including economics; and (c) substantive issues take precedence over methodological principles (Etzioni & Lawrence, 1991, p. 27).

In this new approach to studying social problems, analysts need to use “findings from a variety of sources” (Etzioni, 1985, p. 385). This could include economics, political science, psychology, and sociology. The reason for drawing on several disciplines is that most social problems are extremely complex, and no science is capable of handling all of them.

There are several reasons for substantive issues taking precedence over methodological considerations. First, the answers that may be found in one discipline may provide superior answers to those found in another. Second, economics has failed to deal with the way power--economic power as well as political power--structures outcomes.

For instance, if the definition of power is based on conflict, then intentions are not as important as the rational choice theorists’ claim. The notion of a conflict process requires only that a theoretical approach to this process contain three elements. One is a theory of interests that includes many of the groups that participate in the definitional process in order to pursue or protect their own social, political, economic, or other interest. A second element is a theory of moral indignation, for some groups attempt to define a condition as a social problem because it offends their sense of values; it seems wrong to them that the condition exists. The third element is a theory of natural history, because we conceive social problems not as static conditions or instantaneous events, but rather as a sequence of activities that may move through different stages (Kitsuse & Spector, 1973, p. 418).

The different stages in the life of a social problem, therefore, can be characterized by different casts of characters, different kinds of activities, different questions, and call for different kinds of analysis (Kitsuse & Spector, 1973, p. 418).

The War on Drugs provides an example of the struggle between economic theory and social science. According to rational choice explanations of drug usage, the individual drug users are responsible for their own behavior and thus we must provide adequate penalties in order that they not choose drugs. On the other hand, there is a body of literature that posits a relationship between crime and the strength of the social and civic associations in a community (Bursik, 1986, 1988; Sampson, 1995). Intact families transmit law-abiding values, primarily through their contribution to neighborhood life, and instill the discipline that individuals need to acquire marketable education and experience. Conversely, broken families produce impulsive, antisocial individuals.

Criminologists who pioneered this theory viewed social disorganization as a "root cause" of criminality. From a criminology perspective, fostering vital social networks matters far more in combating crime than does fashioning appropriate law enforcement policies (Sampson, 1995, pp. 202-203). Drug use in a community diminishes social organization in a number of ways, including enfeebling of parents to the growth of community fear and distrust. But, so do severe criminal sanctions for drug use and distribution. The staggeringly high percentage of young Black men who are in penal custody results in an immensely high percentage of broken families, disenfranchisement of a sizable portion of the Black inner city population, the ultimate withering of community life, and the stigmatization of Black males in general who are shunted more deeply into the inner-city. In effect, the "get-tough" policies used to fight drug use undermine the very social structures that can guide individuals into law-abiding behavior.

One possible approach would be to keep non-violent drug offenders in their community but with strict work sanctions and close supervision. The potential work sanctions could include community repair and beautification. The goals of punishment would work in tandem with the problem of preventing community disorganization.

The present Research Design will attempt to overcome the shortcomings of social science by fashioning prescriptions that are at once politically feasible and based on the knowledge gathered from the research. The reason for selecting two case studies (Social Security and Criminal Justice) is an attempt to show that the concept of symbolic politics is not isolated to a single-issue area. It should not be difficult to make the case for symbolic politics in Criminal Justice. The case for

Social Security is much more difficult but, if made, it can lend credibility to the notion that too often in our society symbolic politics has overcome substance. The author plans to show that the process is the same in both areas--manipulating public opinion for a narrow interest. In both cases, the public has been misled into accepting measures not in its best interest. The format is the same--a series of lies told often enough to the public that they eventually come to accept them. Granted, it was easier in criminal justice because of the predilections of the public. But, the methodology remained the same in both cases. Most assuredly, someone's agenda is being advanced. But is it the public's?

In summary, the theory used in this study asserts that in economic matters of the type that alter the status quo among the classes, political and economic elites hold and exercise unequal power. It is in their best interests. Further, these elites have used the power of symbolic politics to achieve their ends. The case studies examine the struggles over criminal justice and Social Security as economic struggles. The first case views the struggle as an attempt to control a surplus labor force which is considered a source of possible agitation in their quest for social and economic justice. The second views the struggle as an attempt to alter a program that, though highly successful, is an aberration from the free market that must be radically altered before the public gets the notion that a government program can actually achieve social and economic justice. The words "crisis" and "insolvent" have been used as symbols in an effort to define the elite version of the problem.

Research Questions

How much of a role did symbolic politics play in fashioning out "War on Crime" and the Social Security crisis? That, of course, is the major question undertaken in this study. To answer it requires that a number of more modest questions be asked so that the major question can be answered

An effort to answer the questions will occur during the course of two case studies. The first will focus on our criminal justice policies while the second examines the current social security debate. The reason for selecting two such divergent topics lies in their divergence. Criminal justice has long had the reputation of being classically prone to symbolic politics (D. Gordon, 1995, pp. 160-164), while social security has built the reputation of being a substantive program. Social security has indeed affected dramatically the number of senior citizens living in poverty.

Given the major thesis of this research that there is little substance in our political system, it would be easy to "prove" if the study focused only on criminal justice. But that would not be compelling evidence. By looking at an area where in which symbolic politics is not as apparent, the evidence becomes much more compelling. Social security has always been symbolic in how it was sold to the public, but in recent years symbolism has played a larger, and potentially more adverse role.

The case studies will enable the researcher to point out and to clarify the respective roles substantive and symbolic politics have played in these different areas.

The major questions to be answered include:

1. Was public opinion leading political actions in these areas? Or, was political action leading public opinion?

2. What were the objective conditions that existed before each policy change? What were the political analyses of the causes of those objective conditions?

3. Does the public have sufficient knowledge about the public policy responses and the consequences of those responses?

4. How real was the "crime wave" in which the nation was supposedly enveloped? Were the numbers and horrors about crime that were told to the public accurate or merely excessive rhetoric designed to instill a sense of fear and urgency? How much of criminal justice policy is driven by incidents of crime that have been sensationalized by the media and how much by reasoned approaches designed to address the true nature of crime? Specifically, how do the rhetoric and policies measure up against actual crime data?

5. What did the academic literature say, if anything, about "just desserts" versus "rehabilitation" at the time of the shift in policy away from rehabilitation to just desserts? Did a sufficient body of empirical knowledge exist to justify the shift? Or, did the politicians "get tough" on crime without sufficient evidence? Specifically, how many academicians focused on just deserts versus rehabilitation during the decade of the 1980s when the shift to a just desserts approach occurred?

6. Is there sufficient reason to view the "war on crime" as a war on Blacks?

Specifically, does the incarceration of such a high percentage of Blacks merely reflect higher rates of crime among this population? Or, are there other reasons for Blacks to be targeted by the criminal justice system?

7. What role does public opinion play in the social security debate? Is public opinion informed with respect to social security? Specifically, how does polling data match up against the actual nature of the social security problem? Is the general public aware of the nature and extent of the "crisis"? Do they view the situation as simply too few dollars chasing too many retirees? Is the other side of the Social Security funding formula—the number of people working and their wages--being presented and debated before the public?

8. Politicians frequently use the words "crisis" or "insolvent" when describing social security but are they realistic assessments of the issues confronting social security? Or are they symbols used by politicians to characterize the program in order for change to occur?

9. Have myths played a far more important role among the public in setting policy directions for the War on Crime and the Social Security Crisis than reasoned opinion?

10. Have the statements and data put out by politicians regarding the War on Crime and Social Security crisis been misleading, thus creating the impression of the need for particular policies?

11. Policies are typically stated in broad terms as benefiting society, but does a close examination of policies show clear evidence of the benefits going to a narrow

segment of society while the working classes--the alleged beneficiaries of the policies--pay both the social and economic costs of the benefits? In other words, who really benefits from these policies and who loses?

Data Collection Methods

A variety of data will be used to answer the research questions. The data sources include: (a) public opinion polls from various years; (b) labor force statistics; (c) census data; (d) social security financial and demographic data; (e) criminal justice statistics, including drug usage among the population and prison data; (f) poverty and distribution of income data; (g) historical revenue and expenditure data; and (h) newspaper and other historic accounts of social conditions and events.

These data sources will be used to supplement various analytical studies, reports, and accounts of the history of the criminal justice system and Social Security.

Methods

Triangulation of methods will be in this research study. Through multiple methods one should be able to address the above questions more thoroughly than through any single method. The three methods to be used are: (1) participant observer, (2) archival evidence, and (3) documentary evidence.

Participant Observer

Direct observation is the archetypal technique of scientific inquiry in virtually every field. If one seeks to understand what is happening, the impulse is to go and look at it closely and repeatedly (McCall & Simmons, 1988, pp. 13-14). From the perspective of over 20 years as a staff person with the Michigan legislature and before that as a public policy analyst in the non profit sector, the researcher should be able to introduce both his observations and insights in a structured fashion. One could describe this effort as "getting the inside out."

Scientific observation is the opposite of casual observation in that scientific observation (a) serves a specifically formulated evaluation purpose, (b) is planned systematically, (c) is recorded systematically, and (d) is subjected to controls and checks on its accuracy (Guba, 1979, p. 24). Thus, scientific observation may be defined as the systematic gathering of information about behavioral actions and reactions through the use of specific instruments or professional observations (Guba, 1979, pp. 25-26).

All of the information that the participant observer secures is conditioned by the meaningful context into which he is placed as well as by his own perspective (McCall & Simmons, 1988). This researcher was able to work closely with various legislators, governors, bureaucrats, interest groups, and other legislative staff people on the major issues that occurred. This approach provides a unique opportunity for passing on to the reader insights gained through a career with the legislature.

At the same time that I worked as a staff person, I also taught at several Michigan universities, which caused me to approach my job as a type of "scientific observer." My job in academia, as I viewed it, was to bring to graduate students in

Public Administration a perspective on what drove our political system to act as it did. I never merely reiterated the legislative point of view.

I also spoke before various groups, as frequently as 30-35 times a year. Again, my job was to bring these groups insights to our political process and to attempt to make them "winners" with respect to having their voices heard on the issues important to them. Often, these issues were not readily apparent to the group. They tended to focus their claim making activities too narrowly and often failed to perceive how actions in other parts of the system affected them. Tax expenditures, for example, were not a perceptible interest for an education or social services interest group. But, after they became aware of how tax expenditures served to reduce their funding, they changed their minds.

In addition, I wrote extensively about public policy issues, thus recording many of my observations. It is the combination of my position as a staff person for the legislature, my teaching graduate students, my speeches to a variety of groups, and my writing on public policy that enables me to meet the criteria for scientific observation. It was a matter of professional responsibility for me. As for potential bias, the triangulation of methods as well as a continuing sense of professional responsibility should help negate any such indictment.

Legislatures have been the subject of many studies over the years, but few at the state level have utilized the participant-observer method. This approach has advantages in meeting the issues of internal and external validity. The richness of data is one of the advantages. Everything that occurs in a natural setting is a potential research variable. Through observation it is possible to see and measure variables that might have been overlooked in a more structured setting. And, more important for this study, viewing variables in the context in which they occur may yield important interpretations that might otherwise be missed.

The researcher will, of course, make his observations in a structured fashion rather than merely through a series of recollections. The issues of great importance during my years in the legislature, such as the prison buildup, jobs and tax expenditures, will be recollected in the social, economic, and political context in which they occurred. Again, the objective is to provide insights to the reader that he or she could not find anywhere else. Their contributions to theory will, hopefully, have a similar impact.

Archival Evidence

This approach will permit the author to corroborate and augment evidence from other sources. Much of the statistical evidence will come from primary economic data, criminal justice data, and other sources produced by the federal and state governments. Other sources will come from primary documents, historic accounts of social problems, and other research studies. All of the data for the study is available but requires an intensive research effort to extract it and analyze it.

Most of this data comes from government sources itself, which provides a bit of irony to the study. It will be government data that helps make the case that politicians are symbolic.

Documentary Evidence

By focusing on formal studies, evaluations, newspaper clippings, and other articles appearing in the mass media, a richness of depth and insight can be added to the research. Evidence from other studies is intended to supplement the evidence gathered from the archival sources and the author's observations. In this manner, the combination of statistics from governmental and other reliable sources and documentary evidence from various studies and reports will tend either to support or not support the major themes of the research

Research that relies on several sources almost uniformly is viewed as superior to single approach studies. With triangulation, the potential problems of Construct Validity also can be addressed, because the multiple sources of evidence essentially provide multiple measures of the same phenomenon. Not surprisingly, one analysis of case study methods found that those case studies using multiple sources of evidence were rated more highly, in terms of their overall quality than those that relied on only single sources of information (Yin, 1983, p. 24). A major strength of case studies is the opportunity to approach the study with evidence drawn from a variety of sources. It is the multiple sources of evidence that lend case studies greater credibility than other research strategies.

One important advantage is the converging lines of inquiry that it permits. For example, if quantitative data gathered from archival sources tends to support a number of evaluations from Documentary sources, the study is that much stronger. If the author can include examples from his personal observations, the other sources also become convincing.

CHAPTER II

SYMBOLIC BEGINNINGS OF SOCIAL SECURITY

Introduction

Public attention was focused on the Federal Government during the depression, and especially on its leader--President Franklin Delano Roosevelt. Traditional economic theory did not have an answer to the economic devastation of the nation and many placed their hopes in the President. This President redefined the role that the government would play in our economic system. Many contemporary observers believe that he employed a form of what came to be known as Keynesian economics to overcome the economic wreckage in which the nation found itself. Many of these same observers also believe that Roosevelt's advocacy of old-age pensions was in recognition of a shameful inequity in our society--that a person could devote his entire working life to a company only to spend his later years in extreme poverty.

This chapter challenges what, to many, has become the conventional wisdom concerning the Roosevelt era. The material presented in this chapter is not designed to blemish the Roosevelt legacy, but rather to accurately represent it. FDR, quite simply, was forced to endorse Old-Age pensions. Politically, the public and the Congress were to the left of Roosevelt. Given the nature of the times, failure to act could have resulted in a much more extreme version of old-age pensions being adopted. There were other, more extreme, plans available. The "Townsend Plan," for example, promised $200 monthly to every senior citizen commencing with her 65th birthday. Senator Huey Long and his "Share the Wealth" movement promised a vast redistribution of wealth in the country and could have resulted in Roosevelt's losing the 1936 election.

It is no exaggeration to say that the President was a fiscally conservative man but knew that he had to do something that would have him appear to be of the side of the demoralized working man while at the same time working to protect capitalism. The two objectives were seemingly incompatible, but, through the artistry of symbolic politics, Roosevelt was successful in achieving both. The notion that something was inherently wrong with unfettered capitalism and that government must find a way to fix the situation was a central element of liberal thought in the 1930s. On the edges of liberal economic thought were more radical ideas: the conviction that the Depression had revealed the obsolescence of capitalism and the need for a fundamentally new approach (Brinkley, 1995, pp. 6-7). Roosevelt believed that the capitalist system was in danger and that he must act in its defense. He also believed that business would eventually lead the nation out of the Depression. Never did he question the virtues of capitalism.

It is testimony of Roosevelt's political genius that he was able to accomplish his goals of appearing to be on the side of the "forgotten" man while concomitantly acting to save the capitalist system. The Old-Age pension plan offered to the public was remarkably lacking in substance. The plan excluded many categories of society, including children of the elderly and the infirm. Agricultural workers were excluded at the behest of Southern Congressmen. A regressive tax was applied and beneficiaries were only supposed to get out what they put in. In brief, it was a niggardly plan not intended to replace private sources of retirement income.

It was a plan, however, designed to aid business and it was formulated by business. Social Security was designed to rescue a movement known as "Welfare Capitalism" from a competitive nightmare they created by the establishment of private non-contributory pensions earlier in the century. The nightmare to the welfare capitalists was the number of firms that did not establish pension programs for employees. These so-called "laggard," firms were at a competitive advantage relative to the welfare capitalist firms. In addition to these competitive pressures, most of the plans also faced uncontrollable costs.

The ultimate "solution" was to nationalize pension costs through the federal government. In this fashion, the costs of pensions would be spread to all firms. To best assure that the plans remain modest in their benefits, a steeply regressive payroll tax became the funding source for Social Security. The revenues from this tax was to be set-aside "in trust" for every worker who paid into the plan. Thus was the notion of "Social Insurance" born.

While a review of all provisions of the 1935 Social Security Act would be useful, this paper shall focus on old-age pensions. Not only has this portion of Social Security become the most popular government program in our nations history, it is also the subject of a national debate. This debate comes down to two alternatives—

keeping the program as it is or privatizing it. That is unfortunate because the public has been very much limited in the "solutions" before them. Are there other answers to put before the public? This question will be answered over the next two chapters.

The Public Recognition of the Problem in the 1930s: The Working Class Moves Left

In this country, the moral claim behind Old-Age pensions lies in the concept of "social insurance." Social insurance has provided the authoritative paradigm for defining Social Security since its adoption in 1935. This paradigm has effectively muted any complaints about the highly regressive nature of the Social Security tax because workers have a claim on Social Security through the payroll taxes that they pay. To better understand how the origins of this approach, we need to examine the original conflict that resulted in defining Social Security. In this fashion, we can shed light on the class conflicts of that period and today. It should lead to a better understanding of the current assaults on the program, by whom they have been conducted, and why. We should also see how the current debate has been narrowly circumscribed--limiting the public's understanding of the problem of Old-Age pensions and the variety of alternatives. Through this examination we will be able to distinguish the workings of symbolic politics in each era.

Many believe that Social Security was adopted because of the perceived need to feed consumption similar to the prescriptions of British economist John Maynard Keynes (Sandel, 1996, p. 256). As we shall see shortly, Keynesian economics did become a sustaining rationale for old-Age pensions, but not until the 1950s. If the

New Deal had relied upon a Keynesian formula for recovery, Old-Age pensions would not have been adopted while the nation was held in the clutches of Depression. Production was blighted; profits and consumption had fallen severely; and millions were without work or without adequate work. Taking money in the form of "contributions" out of the economy to pay benefits that would not start until 1942 did not make economic sense. Taking these "contributions" from those whose consumption was necessary for recovery appears now both bizarre and misguided.

Table 4 indicates the severity of national economic conditions when Social Security taxes were imposed. Total worker compensation was nearly halved from 1929 to 1933, falling from $51.1 billion in 1929 to $29.6 billion in 1933 or 42.1 percent. Compensation from private sector businesses fell from $46.1 billion in 1933 to $24.2 billion in 1933 or 47.4 percent. The level of private compensation never fully recovered in the Depression years. The final year before WWII, 1940, total private compensation equaled $43.3--$2,6 billion less than the 1929 level.

Consumption was constricted in the 1930s because of declining incomes, especially among the working class. Personal consumption spending went from $77.5 billion in 1929 to 45.9 billion in 1933, a drop of $31.6 billion or 40.8 percent. Recovering to $66.8 billion in 1937, it fell again in 1938 to $64.2 billion. In the 1930s, Personal consumption spending ever reached the level of 1929. By 1940, spending for personal consumption grew to $71.2 billion, which was $6.3 billion or 8.1 percent below the 1929 level.

Corporate profits fell from $10.3 billion in 1929 to a negative $600,000 in

Table 4

Various Economic Indicators in the Depression
(Dollar Amounts in Billions)

Year	Total Employee Compensation	Private Sector Employee Compensation	Public Sector Compensation	Corporate Profit	Personal Consumption Expenditures	Full-Time Equivalent Employment (Thousands)
1929	$51.1	$46.0	$5.1	$10.3	$77.5	32,134
1930	46.9	41.5	5.3	7.0	70.2	29,909
1931	39.8	34.3	5.4	2.4	60.7	26,763
1932	31.1	25.9	5.2	-0.6	48.7	23,361
1933	29.6	24.2	5.4	-0.5	45.9	23,321
1934	34.3	28.0	6.3	2.1	51.4	25,687
1935	37.4	30.6	6.8	3.6	55.9	26,742
1936	43.0	34.8	8.2	5.8	62.2	28,758
1937	48.0	40.2	7.8	6.6	66.8	30,634
1938	45.5	36.5	8.6	4.5	64.2	28,314
1939	48.2	39.6	8.7	6.1	67.2	29,742
1940	52.2	43.4	8.8	9.4	71.2	31,612
Chg 40/29	2.1%	-5.6%	72.5%	8.7%	-8.1%	-1.6%

Source: Author's analysis of National Income and Product Accounts of the United States data, Tables 6.5A, 6.2A, and 2.4.

1932 and another negative $500,000 in 1933. Profits had recovered to $6.6 billion by 1937, but dropped off to $4.5 billion during the 1937-38 recession. By 1940, profits had recovered to $9.4 billion--approximately $900,000 (8.7 percent) less than in 1929.

Private sector full-time equivalent (FTE) employment was 32.1 million in 1929, falling to 23.3 million by 1933, and rising to 31.6 million in 1940. Again the pattern was similar. The falloff from 1929 to 1933 equaled 27.4 percent, then rising slowly but never attaining the 1929 level.

Note the sharp decline in each of these economic variables in 1937-38. This added recession piled onto the 1930s depression came not only as a blow to the Roosevelt administration but also continued the tremendous suffering among the people. They would not see relief from the depression until the 1940s and WWII.

The situation among the elderly was especially discouraging, but became critical when so many of their children were caught in the throes of depression. In discussing poverty among the elderly and their families, Senator Robert F. Wagner of New York stated:

> These citations throw into bold relief the reasons why fully half of the seven million Americans who are over 65 years of age have been reduced to a state of bitter dependency. To help them is a grave social responsibility, because they have been drained dry of their productive energies and then swept aside like deadwood by a heartless system which has not allowed them to help themselves. (Neuberger & Loe, 1936, pp. 196-97)

President Roosevelt is generally acknowledged to have been the motivating force behind the adoption of Social Security. But what forces motivated Roosevelt? Four points are crucial to understanding what moved Roosevelt. First, FDR was a strong believer in the economic orthodoxy of his era. He was not a Keynesian, but was fiscally conservative. He believed that production rather than consumption was behind the economic problems of the 1930s and would therefore do what was necessary to aid business production. Roosevelt believed that business and the capitalist system would lead the nation out of depression. Even though he appeared to recognize the popularity of under-consumption theory and even appeared to embrace it in his campaign speeches, Roosevelt adhered closely to the principles of classical economics and non-intervention by the state. As a believer in classical economics, FDR naturally believed in balanced budgets. He withstood the advice of many in his administration to attempt to spend the nation out of depression.

It is instructive, for example, to recall how during the 1932 campaign FDR denounced Herbert Hoover for running a deficit and condemned excessive government spending in words that, decades later, could easily have been mistaken for those of conservative Republicans such as Barry Goldwater or Ronald Reagan:

> I accuse the present administration of being the greatest spending Administration in peace times in all our history. It is an Administration that has piled bureau on bureau, commission on commission, all at the expense of the American taxpayer. It is committed to the idea that we ought to center control of everything in Washington as rapidly as possible--Federal control. (Rosenman, 1972, p. 761).

Candidate Roosevelt promised to remedy this excess by reducing the cost of government operations by 25 percent. "I regard this as one of the most important issues of this campaign. In my opinion it is the most direct and effective contributions that government can make to business" (Rosenman, 1972, p. 761). This was the real Roosevelt on fiscal issues. It expressed the attitudes and beliefs that were actually applied to his fiscal policies of the 1930s.

Second, Roosevelt did not view the redistribution of income as a proper role of government. Few of the New Deal programs had redistribution as their primary purpose but, rather, were designed to help resolve a particular economic crisis. The New Deal did little to alter the prevailing array of incomes. Third, despite his combative language about “economic royalists” and the evils of “concentrated wealth,” Roosevelt believed in consensus government. Operationally, that meant that business had an undue influence on New Deal policies. It was Roosevelt’s primary objective during the 1930s to preserve and protect the capitalist system. Therefore, when the administration proposed old-age pensions, the needs of business were the top priority. The legislation was a bill designed for business, and designed by business. The concerns expressed by the working class and others did result in the issue of pensions for the elderly being placed on the agenda, but in the legislation’s final form the problem expressed by the left was redefined by the business community. The left defined the problem as a maldistribution of income and thus viewed Social Security as a method of attaining a more equitable distribution. Business saw the situation as “nationalizing” welfare costs and thus relieving business of those costs. The business community prevailed, despite the continuing misery caused by the depression.

Fourth, Roosevelt was a politician. But more than just a politician, Roosevelt was acknowledged as being the shrewdest politician of his era. He could detect the rapidly shifting currents created by hard times and say and do what was necessary to land on the right side of them. Roosevelt, as the leading politician of his era, could play the game of symbolic politics, as we shall, like a maestro.

Roosevelt's Role in Defining the Social Security Problem

Roosevelt believed in the fiscal conventions of his era whose basic precept was a balanced budget. On the campaign trail in 1932, and in the White House in 1933, he called for a balanced budget and tried to reduce federal spending in 1933 by cutting veterans' benefits and federal salaries. The deficit financing of the New Deal was not part of a conscious effort to spend the economy out of depression, but rather it was forced by the need to respond in an ad hoc manner to the unprecedented economic difficulties that came with depression.

It was Roosevelt's fiscal conservatism, however, that helped secure his support for old-age pensions. The revenues that the government would collect from Social Security in the late 1930s with no scheduled benefits to be paid until 1942 helped him achieve his much-desired goal of a balanced budget. As shown in Table 5, the Social Security tax revenues were substantial. In 1938, when full Social Security taxes were completely phased in, it provided the federal government with its single largest source of revenue.

In combination, the regressive excise and Social Security taxes equaled 53.1 percent of total revenue in 1938, 54.4 percent in 1939, and 47.8 percent in 1940. This contrasts sharply with the 21.1 percent that these taxes contributed before the depression in 1929. More equitable sources, such as the personal income tax and

Table 5

Federal Revenue During the Depression
(as a Percent of Total Revenues)

Year	Personal Income	Corp. Profits	Estate and Gift	Excise	Social Ins.	Other
1929	31.6%	31.6%	2.6%	15.8%	5.3%	13.2%
1930	32.3	22.6	2.6	16.1	6.5	19.9
1931	23.8	19.0	4.8	23.8	9.5	19.0
1932	16.7	14.3	0.0	33.3	11.1	24.6
1933	14.8	44.4	44.4	11.1	7.4	18.5
1934	11.1	16.7	2.8	50.0	5.6	13.9
1935	15.0	20.0	5.0	42.5	5.0	12.5
1936	13.7	25.5	7.8	33.3	7.8	11.8
1937	18.3	18.3	5.6	25.4	11.3	21.1
1938	18.2	13.6	6.1	25.8	27.3	9.1
1939	13.2	19.1	5.9	26.5	27.9	7.4
1940	11.4	29.5	4.5	23.9	23.9	6.8

Source: Author's analysis from National Income and Product Accounts of the United States, 1929-1994, Table 3.1.

corporate profits, tallied 63.2 percent of the revenues in 1929 but by 1937 constituted only 36.6 percent, or nearly half of the 1929 level. From these figures, one can determine that it was the "forgotten man" that was footing the bill for the depression.

The notion that the Social Security revenues would also reduce the government's borrowing needs was attractive to Roosevelt. The payroll receipts, according to Treasury Secretary Henry Morganthau, "could be invested in the public debt...thereby reducing the net demands upon the Treasury." Roosevelt was enthusiastic about this and, indeed, Social Security taxes did relieve the borrowing needs of the treasury. Federal borrowing was, after all, a signal of poor management in the public sector.

It was one thing for the government to collect these revenues without concomitant benefit payments, but for what purposes was the money used? Contrary to Roosevelt's reputation for deficit spending, the money was not used to expand the budget to combat the depression. One of the major complaints about the depression was that there was too much money sitting idly by in savings, thus making recovery more difficult. According to Social Security Act provisions, however, the money was to be set aside to build up a reserve sufficient to make Social Security self-sustaining. Consequently, the money was taken from those who could least afford it and then saved by the government. Roosevelt insisted on this feature. Social Security revenues were therefore used to balance the budget.

It was not until the 1939 Social Security Amendments that the program was changed to a pay-as-you-go system. This is demonstrated by the fiscal data for years 1929 through 1940 in Table 6. From a deficit of nearly $2 billion in 1934, FDR eliminated it in 1937 with a surplus of $600,000. Note also, the steep reductions in expenditures that occurred from 1936 to 1937. Roosevelt cut spending by nearly 18 percent from 1936 to 1937, from 7.9 billion to 6.5 billion.

As a percent of GDP (Table 7), the budget reveals the steep decline in spending. In 1937 spending reached 9.4 percent of GDP, but in 1938 it fell to 7.7 percent--a decline of 18.1 percent. The increased Social Security revenues

Table 6

Receipts, Expenditures, and Surpluses (Deficits)
in the Depression Years (in billions)

Year	Revenues	Expenditures	Surplus (Deficit)
1929	$3.8	$2.7	$1.1
1930	3.1	2.7	0.4
1931	2.1	4.1	-2.0
1932	1.8	3.0	-1.2
1933	2.7	3.5	-0.8
1934	3.6	5.6	-2.0
1935	4.0	5.7	-1.7
1936	5.1	7.9	-2.8
1937	7.1	6.5	0.6
1938	6.6	7.5	-1.1
1939	6.8	8.5	-1.7
1940	8.8	8.7	0.1

Source: Author's analysis of National Income and Product Accounts of the United States data, Table 3.1.

represented an absolute drain on the economy with nothing added back in spending.

It was FDR's effort to reassert the conservative belief in a balanced budget. Although Roosevelt increased spending following the 1937-38 debacle, it remained distressingly inadequate to invigorate aggregate demand sufficiently to get the nation out of depression. By 1939, Roosevelt increased spending as a percent of GDP over 1937 levels by more than 70 percent, but that amount was 2 percent below the 1936 level.

Table 7

Federal Revenues, Spending, and Deficits in the New Deal (as a Percent of GDP)

Year	Federal Revenues	Federal Spending	Surplus (Deficit)
1929	3.7	2.6	1.1
1930	3.4	3.0	0.4
1931	2.7	5.4	-2.7
1932	3.1	5.1	-2.0
1933	4.8	6.2	-0.4
1934	5.5	8.5	-3.0
1935	5.5	7.8	-2.3
1936	6.1	9.4	-3.3
1937	7.7	7.1	0.6
1938	7.7	5.4	-1.0
1939	7.4	9.2	-1.8
1940	8.7	8.6	0.1
Average: 1933-40	7.1	8.2	-1.1

Source: Author's analysis from National Income and Product Accounts of the United States, Table 3.1.

The largest deficit that the Roosevelt administration incurred was in 1936, when the deficit ran at 3.3 percent of GDP. For the years 1933-40, the Roosevelt years, the deficit averaged 1.1 percent, which is not high according to historical standards. Deficits averaged more than 20 percent of GDP During the war years and for the peacetime years of 1975-92 the deficit averaged 3.6 percent. This is not to say whether deficits of these magnitudes were appropriate or not, nor does it pass judgment on surplus's for that matter, but merely examines fiscal policy from an historical perspective. The depression era deficits were rather minor when viewed in this framework.

Deficit spending did, however, ease unemployment during the depression. Many of the early New Deal programs involved spending--from farm price supports to the Tennessee Valley Authority to the \$3.3 billion for public works. But FDR had considered these expenditures as emergency measures necessary to carry out particular projects, not as a means of stimulating the economy as a whole. In the case of public works, he resisted advice to spend more, insisting that the number of useful public projects was limited. More important, he doubted that such spending would have any "indirect effects" beyond the construction jobs actually created. Roosevelt therefore considered the public works programs a "stop-gap" measure, not a pump-priming measure designed to boost purchasing power and increase aggregate demand (Stein, 1969, pp. 50-54).

Roosevelt's fiscal conservatism was never more apparent than in 1936 when he estimated, incorrectly, that the recovery was well underway. Roosevelt had already cut the Works Progress Administration rolls following his reelection in 1936. By August of 1937 the number of people on WPA projects had been cut in half, leaving about 1.5 million employed. PWA operations virtually ceased (McElvaine, 1984, p. 297). At about the same time, the Federal Reserve tightened credit. All of this occurred while unemployment still hovered around the 9 million, representing about 14 percent of the work force.

Roosevelt's insistence on funding Social Security with a payroll tax may be considered as a principal cause of the recession of 1937-38. There was simply too much money being drained from the economy with too little money being put back in. The New Dealers, once confident that recovery was well underway, were thrown into disarray when the economy faltered. The recession witnessed the sharpest drop of industrial production on record, followed by a steep downward slide in the stock market. The administration suddenly faced a new crisis. Roosevelt had inherited the first depression; now he had one of his own (Sandel, 1996, p. 257).

The President's belief in the dogma of classical economics and the fiscal correctness of balanced budgets, along with his belief that business and industry would lead the way out of depression, was simply too overpowering for FDR to listen to advice for larger deficit spending in the Depression. Roosevelt attempted--and succeeded--in bringing the budget into balance in 1937, the first year of major Social Security tax revenues.

Another piece of evidence concerning deficits and the New Deal's fiscal priorities in the 1930s was federal spending when combined with state and local spending. State and local government was far larger than the federal government and, with their constitutional requirements for annual budget balance, did much to offset any increase in federal spending. One of the primary causes of increased federal spending, however, was the federal reaction to the stress that state and local governments exhibited in the Depression (Brinkley, 1995, p. 144). Roosevelt was assuming the burdens that state and local governments were unable to shoulder in the depression. As shown in Table 8, total government spending added little, if any, new

Table 8

Federal, State and Local Surpluses (Deficits)
in the 1930s (as a Percent of GDP)

Year	Federal	State & Local	Total Surplus (Deficit)
1929	1.1%	3.2%	4.3%
1930	0.4	2.2	2.6
1931	-2.7	7.8	5.1
1932	-2.0	1.9	-0.1
1933	-0.4	1.3	0.9
1934	-3.0	1.8	-1.2
1935	-2.3	1.6	-0.7
1936	-3.3	2.3	-1.0
1937	0.6	2.0	2.6
1938	-1.0	2.1	1.1
1939	-1.8	1.8	0.0
1940	0.1	1.5	1.6
Average: 1933-1940	-1.4%	1.8%	0.4%

Source: Author's analysis of National Income and Product Accounts of the United States data, Tables 3.1, 3.3.

monies to the economy during the 1930s. It was merely exchanging one level of government spending for another.

Deficits were run in only 4 years of the depression, with 3 of them during Roosevelt's years in office. For the years 1933-1940, the average year-end balance for all governments averaged a positive 0.4 percent of GDP, with the federal total equaling a negative 1.4 percent and the state and local total equaling a positive 1.8

percent. The largest deficit year, 1934, showed only a 1.2 percent of GDP shortfall, hardly the stuff of fiscal revolutions.

A statement made by one of Roosevelt's advisors best summarizes the myth surrounding what changes the New Deal brought. Alvin Hansen, one of the principal economic advisors to the New Deal, was on a speaking engagement in 1940 when someone in the audience asked: "In your opinion is the basic principle of the New Deal sound?" Hansen's reply was:

> I really do not know what the basic principle of the New Deal is. I know from my experience in the government that there are as many conflicting opinions among the people in Washington under this administration as we have in the country at large. (Hansen, 1940, pp. 310)

Roosevelt and Redistribution

Financing the Old-Age pensions was the major problem in obtaining Social Security legislation. A common fallacy concerning the depression was that taxes were directed at far-reaching social reform and income redistribution favoring the common man. Roosevelt called for a "wiser, more equitable distribution of the national income" and had denounced the privileged few "economic royalists" whose "hatred" he tauntingly welcomed (Rosenman, 1972, p. 645). The fact remains, however, that symbolism predominated; it was political form over policy content.

The claim cannot be made that Roosevelt was unaware of Keynesian arguments. In his final address before he was nominated in 1932, for example, Presidential candidate Roosevelt stated, "I believe that we are on the threshold of a fundamental change in our popular economic thought, that in the future we are going to think less about the producer and more about the consumer" (Campbell, 1940, p. 17). Historians of the New Deal, however, consider its concrete achievements during the 1930s meager (Cohen, 1998, p. 115; Creighton, pp. 25-27; Hawley, 1966, pp. 198-204). To help explain Roosevelt's attitudes toward redistribution, it is important to understand his commitment to saving the capitalist system from its worst features.

Roosevelt's recognition of the problem of consumerism likely grew out of several best-selling books in the 1920s, one of which was Foster and Catching's *The Road to Plenty.* William Trufant Foster and Waddill Catchings, who were not economists, challenged some of the most established theories of their time. Foster was a former college president and Catchings was an industrialist and financier. Anticipating Keynes by nearly a decade, their 1928 book launched a major attack on one of the basic underpinnings of classical economics: Say's Law of Markets. Say's law maintained that consumption was a simple and automatic result of production, that the cost of producing goods inevitably created purchasing power and hence a demand for those goods.

Foster and Catchings argued that consumption does not automatically follow production; private and corporate savings, inequitable distributions of income, artificially high prices, and other factors could, and often did, restrict aggregate buying power. "As industry increases output, it does not, for any length of time, increase payments to the people," they maintained. "There is nothing in ordinary business financing which automatically brings the right adjustment" (Foster & Catchings, 1928, pp. 24, 54-56). Society had failed to recognize a central economic truth: "consumption regulates production." Under-consumption was the result of that failure. The chief remedy was adequate consumer income (Foster & Catchings, 1930, p. 24).

FDR did not believe in such theories. Not only was the notion advanced by Catchings and Foster thought to be fallacious by Roosevelt, but likewise by most economists of the period. Roosevelt wrote in the margin of Foster and Catching's *The Road to Plenty:* "Too good to be true--you can't get something for nothing" (Schlesinger, 1960, p. 137). The various New Deal programs provide evidence that Roosevelt was not concerned with redistribution of income. It is instructive to look at who was helped by the measures taken during the first New Deal. The National Recovery Act (NRA) aided big business, the Agricultural Adjustment Act (AAA) helped large landowners and hurt tenant farmers, the Emergency Banking Act and the Federal Deposit Insurance Corporation (FDIC) helped bankers and depositors, and the Securities and Exchange Commission Act helped stock investors. The only initiatives in the First New Deal that directly benefited the really needy were the Tennessee Valley Authority (TVA), the Farm Credit Administration that helped small farmers, and the work relief programs (McElvaine, 1984, p. 335).

Roosevelt believed that unemployment was the greatest threat to the nation and devoted most of his political capital to that issue (Ferrara & Tanner, 1998, p. 21). He was much more concerned about proposals for unemployment insurance than he was about old-age pensions. Even Roosevelt's rationale for old-age insurance was couched in terms of relieving unemployment. If seniors could be assured of a secure retirement, they would more likely leave the labor force, freeing up jobs for younger workers (Tynes, 1996, pp. 42-3). But Roosevelt was treating the symptom--unemployment--rather than the disease of under-consumption.

Roosevelt and Regressive Taxation

The enigma of the New Deal is that how an administration, so concerned about its image as the champion of the "forgotten man" could produce such a conservative piece of legislation. The working class was on the left, the major movements for old-age security and wealth redistribution were on the left, and politicians could easily have adopted a more progressive piece of legislation. Why, in light of these facts, did the New Deal rely exclusively on regressive payroll taxes to finance old-age pensions? One explanation is that perhaps the question was never asked--that it was immaterial to other, more dominant concerns. It could have been that people during the period did not think in terms of which taxpayers paid the tax and would not have thought of the payroll tax as regressive if they had.

A closer examination, however, makes this explanation unconvincing. First, it was by no means certain in the 1930s that the critical needs of the elderly would lead to contributory social insurance rather than the direct and immediate solution of providing them old-age assistance. The argument that relief was a "narcotic" that sapped "independence" and "incentive" simply did not apply to a population whose financial savings had been savaged by the depression. Their job prospects were bleaker than those of other age groups not only because of the depression but also their age. Assistance, therefore, would have represented the transfer of obligations from their impoverished children to the state (Leff, 1983, p. 360). Equally as important, a contributory social insurance scheme could not provide for the elderly of the 1930s because they had not paid the taxes necessary for them to receive payments under the plan.

The critical and immediate needs of the elderly population, therefore, would seem to relegate contributory social insurance to secondary importance while placing old-age assistance as the top priority. Further, none of the interest groups concerned with for old-age security advocated a payroll tax, except Treasury Secretary Henry Morgenthau and key segments of the business community. Though Roosevelt and the 1932 Democratic platform had endorsed old-age insurance at the state level, none of the state plans adopted during the 1930s had a contributory program of financing. Every one of the twenty-eight old-age plans adopted before the introduction of social insurance was noncontributory. Indeed, a pervasive fear among administration advocates of social insurance was that it would be swept aside by a noncontributory alternative (Leff, 1983, p. 360; Perkins, 1947, p. 291).

Martha Derthick points out that Congress was far more receptive to the Social Security Act's provisions for subsidizing old-age assistance than to old-age insurance. In fact, certain Social Security insiders felt that the administration's insistence on pairing the insurance provisions with the far more popular old-age assistance title saved old-age insurance from removal in Congress (Derthick, 1979, pp. 219-21).

If the decision to embrace social insurance in the 1930s appears peculiar, Roosevelt's decision to rely exclusively on payroll taxes appears especially strange. The drafters of the Social Security plan naturally studied foreign social insurance systems in formulating the U.S. plan. They found in the foreign plans that government paid part of the cost of pensions paid to all low salaried employees. They also found that they had not used payroll taxes to build up a huge trust fund as contemplated in the United States case (Perkins, 1947, p. 293).

There was also pressure from outside the government for government contributions. Abraham Epstein, director of the influential American Association for Old-Age Security, was convinced that the stability, security, and permanence of any old-age insurance schemes must have immediate government contributions. They lobbied strongly for a plan requiring immediate government contributions coupled with payments by workers and employers (Perkins, 1947, p. 295). This request was not irregular given the economic situation existing during the depression.

Many inside the Congress were also insistent on this point. This was the period when a great deal of public sentiment was behind Huey Long's "Share the Wealth" ideas and Townsend's $200 a month old-age pension plan. There was a feeling that unless the government made a contribution out of general taxation, the rich who derived their income from investments rather than wages would make a sufficient contribution to the fund. There would not, these congressmen argued, be any sharing of the wealth (Perkins, 1947, p. 295).

It could have been that there was an indifference to the incidence of taxation, especially considering the nature of the problems to be resolved. When examined closely, this argument is also unconvincing. First, even though the administration was feeling confident that recovery was underway in 1936, it would not want to do anything to disrupt it. Second, there is considerable evidence that the administration was well aware of the implications of applying a regressive tax to fund Social Security. Both the administration and the Congress, for example, criticized the Townsend Plan for its regressive financing. The criticism, in fact, became so strong that the Townsend people were forced repeatedly to revise their funding scheme. The incidence of the tax was consequently very much an issue.

Indeed, Roosevelt also received criticism of his financing plan. Many within the administration considered the payroll tax to be a distinct drawback. The regressivity of the tax prompted Harry Hopkins, Roosevelt's Public Works Administration (PWA) chief, to propose the use of general tax revenues that relied more upon upper incomes. Rexford Tugwell, a close Roosevelt advisor, joined Hopkins in making the case against the payroll tax to the President. A payroll tax, Tugwell argued, "was very little different from the sales tax;" only the substitution of income taxes or a general tax subsidy could lift the burden from those least able to pay and reduce the tax drag on the economy (Martin, 1976, p. 345).

The most plausible explanation for Roosevelt's behavior goes to the heart of his beliefs concerning economics and his sincere desire to save capitalism. At the base of these arguments against regressive taxation was the demand for a redistribution of income to achieve a more equitable society and a healthier economy.

The payroll tax issue was not, therefore, merely a technical issue. As one social insurance expert put the issue: "Indeed, the question of finance lies at the core of a Social Security program" (Epstein, 1936, p. 723). The "question of finance" was therefore about the impact of taxation on the distribution of national income.

There is no doubt about how badly skewed national income was at that time; money was highly concentrated in the hands of a few individuals. Given the plight of the nation's poor, the concern about redistribution seemed natural enough. But, the issue went far deeper than simple fairness. The widely accepted "under-consumption" theory, which Roosevelt himself had repeatedly embraced in campaign speeches, warned of continued economic stagnation if buying power continued to be stifled by the concentration of wealth at the top (Cohen, 1998).

According to this analysis of the Depression, the rich, who spent a smaller share of their income on consumer items than did the masses, were taking too big a piece of the pie. The masses of consumers were thus unable to purchase the mounting volume of things they produced. This created a downward spiral in which production was cut back, savings became a further drag on the economy as they piled up in the bank accounts of the rich for lack of investment opportunities, workers were fired, and purchasing power declined further (Leff, 1983, p. 364).

There were a number of key advisors who adhered to this view of the economy within the Roosevelt administration. One such advisor was Marriner Eccles, head of the Federal Reserve Board. Eccles believed in a program of monetary expansion and deficit spending to end the depression through increasing mass purchasing power. Eccles measured each New Deal program on the basis of how it would increase consumer purchasing power. He applauded the WPA, for example, but complained that it spent too little money to be effective. "The safest policy is the boldest policy," he wrote Roosevelt early in 1935. "A piecemeal program is doomed to failure unless the national income is increased" (Israelson, 1985, p. 358). Based on Roosevelt's insistence on reduced spending to balance the budget and reliance on the regressive payroll tax, Eccles predicted the recession that began in 1937. He had to struggle against a powerful array of forces pushing the administration toward fiscal conservatism, and against the President's own continuing discomfort with deficit spending. The forces of fiscal conservatism ultimately prevailed (Israelsen, 1985, p. 358).

The economic explanation of Roosevelt's insistence on the payroll tax appears to fit well with the economics and politics of the period. Roosevelt, who was at first reluctant, was forced to accept Social Security legislation to demonstrate his support of the "forgotten man." But, he would formulate a program acceptable to capitalists and would not impose a burden on government revenues. As we shall see later in this section, business interests in 1926 had already written what was to become the Social Security Act.

Business's Influence on Social Security

Scholars of the New Deal have portrayed Social Security, perhaps more than any other program, as evidence of government's ability to counteract the power of business; as an expression of the state's ability to save capitalism from itself (O'Connor, 1973, pp. 162-69; Offe, 1984, pp. 130-46; Skocpol & Ickenberry, 1983, pp. 152-169; Skocpol & Orloff, 1984, pp. 726-750). These arguments over whether or not capitalists "shaped" Social Security, however, fail to recognize business' real influence on the legislation. The question is not whether capitalists shaped Social Security, but rather which capitalists shaped Social Security and under what circumstances (Amenta & Prikh, 1991, pp. 124-28; Brents & Jenkins, 1991, pp. 129-32; C. Gordon, 1995, pp. 166-67)

There is little doubt that many business elites opposed Social Security, but most scholars over-emphasize this to the point of obscuring business' influence on the final legislation. Though many business interests did not support Social Security legislation, it is also true that many important business interests did. They supported Social Security legislation for several reasons. First, these businesses were seeking relief from a failed business strategy begun earlier in the century to gain control over labor and markets. A major part of business strategy was to emphasize the provision of noncontributory company pensions. These executives represented some of the nation's largest employers and the most strategic in terms of our nation's future prosperity--such as General Motors, General Electric, Standard Oil, and Westinghouse. This movement became known as "welfare capitalism," and essentially sought to make the worker completely dependent on the company (Jacoby, 1999, p. 16).

Second, these businesses were seeking to level the playing field among all businesses with respect to paying the costs of pensions and other welfare programs. This was an attempt to restore "competitive balance" between those businesses that bore the costs and those businesses that did not. Consequently, the passage of Social Security reflected a struggle for competitive and political advantage among business and regional interests (C. Gordon, 1995, p. 241).

Finally, many business leaders, especially manufacturers of consumer goods, were seeking stabilized markets for their products. They recognized the need for a stable income among the workers and saw private plans not only as a labor relations tool, but also as a partial solution to the broader economic problem of consumption. Retailers and consumer-goods producers hoped that private pensions and unemployment insurance would stabilize purchasing power. As Ernest Draper, Vice –President of Hills Brothers and later U.S. Secretary of Commerce under Hoover, argued that income support and employment stabilization were essential to "the continued success of large scale production, of quick turnover and of installment buying" and as a means of keeping enough workers "working and therefore able to buy in normal volume" (Ferguson, 1984, pp. 51-66).

Viewed from this perspective, federal pension legislation appears as the logical climax to a battle over the scope and costs of the largely unsuccessful private pension and other employee welfare plans fought from around 1910 through 1925. The solution for the welfare capitalists was to distribute the costs of these programs to other employers, employees and taxpayers through a national pension system. An understanding of this business strategy leads to an understanding of the real motives for adopting old-age insurance in the depression. In the aftermath of World War I, many employers started their own pension programs as a means of retaining skilled workers, reducing turnover, and discouraging unionization. During the period 1910 to 1924, employers used pensions as weapons in their attack on unionization. Nearly all of the pensions were noncontributory, paid out of company funds. Between 1910 and 1924, there were 342 new pension plans. Of these new plans, 307 or 89.8 percent were noncontributory. This is in contrast with the period 1925 to 1932, in which 144 private pension plans were initiated but with only 37, or 25.7 percent, being noncontributory. The welfare capitalists had clearly soured on the strategy of noncontributory pension plans. The history and funding of pension plans are shown in Table 9.

One element leading to disillusionment with noncontributory plans was their cost. A study conducted by the New York Building Congress in 1926 showed that such a plan paying $600 a year beginning at age 65 would cost a company from 6 to 25 percent of payroll. The same benefit under a contributory scheme would cost from 1.5 to 7 percent of payroll. Companies were also threatened by various court rulings, which affirmed that workers did indeed have rights to pension funds (Monthly Labor Review, 1934, p. 1102).

Why did so many plans appear during the 1910 to 1924 period, and why were they noncontributory? Business quite simply, was seeking what it always seeks--to control both labor and markets. In their pursuit of achieving this control, welfare capitalists ultimately must also control the conditions that threaten to become social

Table 9

The History of Private Pensions Before the Depression

Year	Noncontributory		Contributory	
	N	%	N	%
1884-99	3	42.9%	4	57.1%
1900-04	22	88.0	3	12.0
1905-09	19	79.2	5	20.8
1910-14	110	91.7	10	8.3
1915-19	123	92.5	10	7.5
1920-24	74	83.1	15	16.9
1925-29	34	41.5	48	58.5
1930-32	3	4.8	59	95.2

Source: Author's calculations from data contained in Murray Webb Latimer, Industrial Pension Systems in the United States and Canada, New York, Industrial Relations Counselors, 1932.

problems. They must control the definitional process of politics. Control over the labor force was an attempt to suppress unionization and, ultimately, the unions themselves. The union movement was a threat to business control, and business's response was to attempt to gain worker loyalty to companies rather than unions. Company-paid pensions were a means to this end.

It is noteworthy that two-thirds of the noncontributory plans had disclaimers asserting, in effect, that workers had no pension rights even when they fulfilled the service and various conduct requirements (such as not participating in a strike). Additionally, many of these plans contained clauses permitting the company to reduce pension benefits if the pension fund was inadequate to pay the amounts promised. In other words, employees had no vested rights in these pension plans and business had all of the control. Workers would be dependent almost totally on the companies--which was the real goal of welfare capitalism.

This business strategy backfired not only because of the costs of the plans but, more importantly, because of the problem of competitive advantage. Business simply did not think through its strategy and was caught in a competitive nightmare. Business could abandon the plans, but that might incur the wrath of workers and public opinion. Businesses with welfare obligations hoped to overcome these negatives through politically imposed welfare laws that would discipline marginal firms in locally competitive industries and alleviate the burden of privately initiated but costly welfare plans. With competitive markets located primarily in the Northeast and Midwest, employers in these regions lobbied for federal regulation as a means of forcing their competitors to share the costs of a regulated market.

The exceptional circumstances of 1934-35 with the various movements from the left and the experience of the 1920s provided employers with an excellent opportunity to resolve these problems. The costs of maintaining private welfare, such as pension plans and workers' compensation, began outstripping the benefits. Maintenance of these benefits became equivalent to a choice between competitiveness and non-competitiveness. Many firms were confronted with the decision to either abandon such programs, thus incurring the wrath of employees and public opinion, or spreading the costs among competitors and consumers through state and federal legislation (C. Gordon, 1995, p. 245). While some did scale back or simply dump their pension programs, most preferred to force competitors, consumers, and taxpayers to pick up the tab. The first arena to confront this conflict was state government due to easier access and the perceived constitutional constraints on federal action. State welfare laws, though inspired in part by genuine political concern for working conditions and social stability, reflected three distinctly business concerns: the spiraling costs of private plans, competition in specific industries, and the collapse of purchasing power. It was not that large corporations came to dominate state level politics, but rather that state representatives were sensitive to the business agenda.

Objections to state old-age pensions focused on employer's fears that they would undermine prevailing wage rates and that industries in states with pensions would experience a competitive disadvantage because of higher tax costs (Quadagno, 1988, p. 100). Pensions were viewed as placing a state that implemented them at a competitive disadvantage with neighboring states "unburdened by a pension system." A Massachusetts Commission on old-age pensions in 1907 thus rejected state pensions on the grounds that they would have a number of undesirable effects. The Commission concluded that "if any general system of old-age pensions is to be established in this country, this action should be taken by the national Congress and not through state legislation" (Quadagno, 1988, p. 101).

The notion of federal Social Security legislation was thus pointed out as early as 1907. At hearing after hearing over the next two decades, representatives of both local and national trade associations testified against state support for welfare legislation. But as the private sector waged an increasingly futile battle to fund its own pension programs, a few far-sighted employers recognized that government pensions not only were inevitable but, if properly structured, could be an advantage to business.

The idea that state intervention might have advantages for industry was first broached in 1925, when the National Industrial Conference Board (NICB) examined industrial pensions. The Board was funded by a few powerful industrialists, with the largest donations coming from General Motors, General Electric, Firestone, and Westinghouse—all employers of large numbers of mass-production workers (Weibe, 1968, pp. 32-33). By the time that the NICB held its annual meeting in 1925, there were already signs that company pension plans might be unworkable. Concerned executives thus sought answers.

The NICB proposed that a central fund be established, either under state control, as in accident compensation, or by a designated group of insurance companies. By pooling their premiums, businesses could even out the risks, with the government providing the necessary regulation. The fund was never established but a precedent was--business support for state intervention in the private markets.

In 1927, the National Civic Federation (NCF), comprised of business executives, conservative unionists, and civic leaders, discussed the problems of industrial pensions and the trend toward state intervention. Disturbed by the "extravagant, defective, unsatisfying and demoralizing" effects of noncontributory state pensions already in operation, the Federation recommended compulsory contributory old-age insurance for wage workers, which would fit benefits "to suit the varying needs, means, ambitions and temperaments of all the different classes and grades of wage worker"(Edgar, Wilcox, & Sherman, 1926, pp. 6). The NCF also concluded that the pension system had to be held at the federal rather than the state level, because of the mobility of American labor (Edgar et al., pp. 6-7). Well before either national or contributory pensions were seriously considered, an association with members from big business advocated an agenda that was to become the core program of the Social Security Act.

Toward the end of the decade articles supporting national pension legislation began appearing in business journals. These articles recognized that industrial pensions "have not provided, and in all probability will not provide, a satisfactory means of eliminating destitution due to old-age." Because of the private sector's inability to meet these needs, "governmental agencies are very likely to assume the burden of care for worn out workers." As long as the tax burden was "universal and proportionate," industry had no need to concern itself with the problem (C. Gordon, 1995, p. 83). Again, in the 1920s, there was support for a program that was adopted as Social Security.

This was not a coincidence. The industrial advisors to the National Recovery Act (NRA) counseled Roosevelt that, given the inequities of state plans, "federal legislation probably is necessary" (Wheeler & Wheeler, 1935, p. 250). By 1935 the administrative board of the NRA was leaning toward a conservative, pro-business viewpoint. The directorship went to Donald Richberg, with banker Averill Harriman as Administrative Officer, and Donald Nelson of Sears as code administration director. Richberg, a labor lawyer, immediately ingratiated himself with the business interests. As Gerard Swope, General Electric Chairman, stated that Richberg was "coming more and more into favor with business interests...he was swinging further to the right all the time and business was strongly for him" (Schlesinger, 1958, p. 157). Swope was also a member of the NCF.

The NRA, as one business lobbyist noted, "had the most widespread and splendid support from industrial groups throughout the country"(Olasky, 1987, p. 250). Important proponents included trade associations in the steel, rubber, textile, paper, lumber, clothing, and leather industries. Leading firms, already cooperating closely with the federal government, in oil and coal, and a large array of larger firms hoped to drive out marginal, cutthroat, and regional competitors. As one observer noted, leading firms simply hoped that "they could get some advantage for themselves" (Olasky, p. 251). The NRA's work had the reputation of being less concerned with strengthening the economy than with long-standing patterns of competition in their respective industries (C. Gordon, 1995, p. 171).

The problem was already starting to be defined by business. Taxes would be imposed on wages rather than non-wage income such as interest. The taxes would be proportionate rather than based on the ability to pay. The program would prevent destitution rather than redistribute income from the rich to the poor. Each of these provisions was recommended by business in 1925 and each of them was adopted intact in Social Security. Did business shape the Social Security legislation? That appears to be the wrong question. The right question seems to be "was business strategically placed to control the legislation?" The answer to that question is yes.

Roosevelt: The Astute Politician

It was Roosevelt's fiscal conservatism that in the end caused him to move forward with his financing scheme. His stated resolve to save capitalism, combined with his fiscal conservatism, may explain why he picked on the payroll tax as his financing mechanism, but it still does not explain why he supported old-age pensions during the depression. The political climate of the 1930s played a far greater part in the adoption of Social Security than is recognized. Roosevelt, himself, vacillated over whether the time was right to adopt old-age pensions. Given the state of the economy, FDR advocated Old-Age assistance, or welfare, more than pensions. In a statement to a two-day seminar sponsored by the Commission on Economic Security (CES) in 1934, Roosevelt said that he did not know "whether now is the time for legislation concerning Old-Age" (Douglas, 1939, p. 9). Roosevelt did not enthusiastically embrace the program until it was introduced in Congress (Ferrara & Tanner, 1998, p. 21).

It is only when we examine the political conditions existing in 1934 and 1935 that we begin to understand how Roosevelt's conversion occurred. Roosevelt was, if anything, a perceptive political observer. One of the primary reasons that FDR advocated old-age pensions as a social problem in 1935 was the realization that if he were to be re-elected in 1936, he had to make it an agenda issue. Roosevelt was rapidly losing popularity in 1934 and the political atmosphere existing during that period was unstable for any incumbent. The period dating from late 1934 through the summer of 1935 was, therefore, critical for the Administration. The result was Roosevelt's "Second New Deal." With a reelection campaign fast approaching, Roosevelt realized that he must decide how best to regain the support of those whose votes he needed to win. He clearly needed to move left. Radical pressures came from several sources, including Senator Huey Long's extraordinary popularity and his "Share-the Wealth" program, the Townsend Movement for old-age pensions, and the general discontent with the progress of the first New Deal.

Long had been flirting with the idea of running as a third-party candidate for president. In the summer of 1935, the Democratic National Committee conducted a secret poll on what effect this move by Long would have. The Democrats were shocked to learn that between three million and four million Americans might vote for Long. Even more disturbing to New Dealers was the discovery that Long had strong support in the Midwestern Farm Belt and in the industrial regions along the Great Lakes and even the Pacific Coast. Long could have received, according to the poll, a minimum 100,000 votes in New York. Another poll indicated that the vote total could reach as high as 250,000.

Particularly striking in the 1935 survey were indications about Long's followers. Among those on relief, 16.7 percent voted for Long, compared to only 7.8 percent among those not on relief. Long's appeal, therefore, was concentrated in the lower reaches of the economic scale. That should be of no surprise considering

Long's message that strengthening capitalism demanded a fairer distribution of the national wealth. National opinion surveys confirmed that a majority of poor Americans favored ideas similar to Long's. Fortune Magazine polls in 1935 and 1937, for instance, showed that the public was opposed by a two to one margin to letting people keep fortunes of over one million dollars.

A Long candidacy, therefore, could very well have thrown the election to the Republicans, which was a part of Long's strategy. If he could siphon enough votes away from Roosevelt to elect a Republican in 1936, Long believed that things would get so bad under a Republican administration that people would turn to him in 1940 (McElvaine, 1984, p. 247).

The Administration response was at first to conduct a secret war against Long by denying patronage and cutting off funds to Louisiana. In late 1934, Roosevelt even flirted with the idea of sending federal troops to Louisiana to "restore republican government." Members of the Justice Department and the FBI drew up elaborate legal and tactical memoranda before Roosevelt decided to abort the scheme (Brinkley, 1993, p. 81). Instead, the Administration would try to co-opt Long and effectively neutralize his power.

As one Senator with close ties to the White House confided to a reporter in early 1935,

> We are obliged to propose and accept many things in the New Deal that otherwise we would not because we must prevent a union of discontent around Long. The President is the only hope of the conservatives and liberals; if his program is restricted, the answer may be Huey Long. (McElvaine, 1984, pp. 246-247)

The sudden rise of Huey Long to national prominence is not difficult to understand. Why did so many Americans find him so appealing? What did his power represent? Certain answers were obvious. Long was flamboyant and charismatic and attracted notice for his message. He was skilled at using the media in getting his message across which already at that time was a prerequisite to power.

The message resonated in the minds of the public because Long had tapped into what working class Americans wanted to hear--he provided an affirmation that the public's values were threatened and a vision of how those values could again thrive. Secondly, Long provided as explanation of the obstacles to this vision—a set of villains to blame for their condition. Finally, he offered prescriptions for reform resting on the expanded role of government (Brinkley, 1995, p. 143). Long was the symbolic competition, advancing a counter theme to the New Deal's "feel good" message.

Many observers at the time dismissed Long as a demagogue attempting to delude the public with empty, impractical promises. While this was indeed an attempt to delude the public, the important issue was that Long's message struck at the core of some of the oldest and deepest impulses in American political life. Large faceless organizations; wealthy, insulated men; vast networks of national and international influence: all were exercising power and controlling wealth that more properly belonged in the hands of ordinary citizens (Brinkley, 1995, p. 144).

There were two moves by Roosevelt designed to counteract Long's impact--the 1935 Wealth Tax Act and Social Security. Both were essentially symbolic gestures as evidenced by how the substance failed to match Roosevelt's rhetoric. They were designed to show the public that Roosevelt sided with the "forgotten man," that he was in touch with the problems of the period. Neither piece of legislation would do much about the concentration of incomes or the tremendous level of unemployment in the nation. They were for the most part symbolic gestures to the left.

At the beginning of 1935, for example, Roosevelt had said there was no need for changes in taxation at that time. In February, the President rejected a dramatic tax reform package calling for sharply graduated tax rates prepared by the Treasury Department. By the Spring, however, Roosevelt spoke privately with trusted advisor Raymond Moley of the need to do something to "steal Long's thunder." In view of Long's advocacy of taxing the rich heavily and redistributing it to the working class, a new tax policy seemed the best way to achieve that end.[1] To undermine Long, Roosevelt told a representative of William Randolph Hearst in May that it "might be necessary to throw to the wolves the 46 men who are reported to have incomes in excess of one million dollars a year" (McElvaine, 1984, p. 257).

The President decided to send a radical-sounding tax message to Congress, with a clearly political purpose. But, in that message, Roosevelt failed to indicate whether or not he wanted action in that session of Congress. He was not interested in action by Congress. He was more interested in the political impact that the message

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[1] This was a part of Huey Long's "Share the Wealth" program. A person would be permitted to own capital worth one million dollars before the tax code would enter in to take portions owned above that amount in a steeply graduated manner. The additional revenues would be used to establish a "household estate" of $5,000 a year for every American household.

would have with the public than in actual tax reform. He would leave it to business interests to emasculate his tax bill. Roosevelt delivered his tax message to Congress on June 19, 1935. In it, he told Congress that large accumulations of wealth meant "the perpetuation of great and undesirable concentration of control in a relatively few individuals over the employment and welfare of many, many others." Criticizing the "unjust inheritance concentration of wealth and economic power," the President called for federal and gift taxes, higher personal income taxes in the upper brackets, and a graduated corporate income tax (Schlesinger, 1958, p. 325).

The reaction to Roosevelt's message from the public was overwhelmingly positive, but not to the point that he actually pushed for genuine tax reform. Without strong backing from the White House, the bill was emasculated in Congress. Far from soaking the rich, the "Wealth Tax Act" of 1935 scarcely dampened them. A graduated corporate income tax survived in token form only, and a small estate tax was enacted. The entire package would only generate $250 million a year, and it did little to redistribute wealth. Ironically, the revenues generated through the Wealth Tax Act in a year equated to what the regressive Social Security Tax would generate in a month. But the Wealth Tax Act did much to reaffirm political allegiances.

In addition to Long and his "Share the Wealth" program, another incentive to embrace old-age pensions was a reform movement of the aged. This movement, led by retired physician, Francis Townsend, proposed a proto-Keynesian measure to solve the nation's economic ills and the problem of old-age insecurity (Quadagno, 1988, p. 108). Townsend demanded that all citizens over the age of 60 be paid a flat

$200 a month on the conditions that they retire and that they spend the money immediately. The pensions were to be financed through a two-percent transaction tax on business. Despite intense public pressure, the Roosevelt Administration strongly opposed it, and even those to the left of Roosevelt considered the plan impossibly expensive and an unworkable delusion (Holtzman, 1963, pp. 86-100).

Frances Perkins, Roosevelt's Secretary of Labor, gave the Administration's reaction to the plan, stating that it is "a dole, a very large present…much larger that the income which they enjoyed during their younger and working years" (Brinkley, 1995, p. 185). Other pointed out that the plan was impossibly expensive and that it would increase retail costs by as much as 80 percent. Importantly, the administration noted the regressiveness of Townsend's proposed tax levy. It is common practice in politics, however, to caste an opposing bill as either too costly, regressive, or both when the accuser is guilty of the same thing.

Dr. Townsend argued that Perkins and the others missed the point. They looked at the program only as a pension and failed to examine two vital details. One was the requirement that all of the money received be spent each month in order to get the pension. The second was that the elderly actually retire. The first item addressed consumption while the second addressed the increased ability of young people to obtain the jobs vacated by the retiring elderly. Both were considered as stabilizers for the economy.

In response to the criticisms that arose during Congressional deliberations over the bill, Townsend drafted a modified version which would raise additional revenues through higher income taxes, inheritance taxes, and gift taxes (Committee on Economic Security, 1936, p. 16). The Townsend plan carried no poor law assumptions in its distribution plan. All older people were to receive this income, regardless of residency, number of living relatives, or income level. Hundreds of thousands of elderly people supported Townsend, and members of Congress felt increasing pressure to adopt it as elderly constituents bombarded their offices with petitions (Quadagno, 1988, p. 108). Though the Townsend plan failed to gather enough votes to win a roll-call, nearly 200 Representatives—fearing a political backlash if they openly opposed it—were absent from the floor when the issue came up (Holtzman, 1963, p. 97).

The plan, however, struck a sonorous chord with the vast majority of the public. When asked in 1935, for example, whether they favored government old-age pensions for the needy, a total of 89 percent of a cross section of the public answered affirmatively. The response to the Townsend plan was phenomenal. In 1936, Townsend Club leaders claimed a nationwide membership of 3.5 million. In only three months, Townsendites collected nearly 25 million signatures on their petitions—over one-fifth of the adults in the United States (McElvaine, 1984, p. 242).

Congress on the Left of Roosevelt

Congress, like Roosevelt, viewed public assistance as far more important than social insurance given economic conditions. As a body, Congress was markedly on the left of the New Deal, which helps explain their preference for assistance. The

1934 off-year elections have generally been viewed as an affirmation for the New Deal. Democrats won 26 of 35 Senate races that year, raising their lead over Republicans in the upper chamber to 69-25. The Democrats increased their strength in the House of Representatives from 313 to 322, while Republican membership dropped from 117 to 103. Progressives won seven seats and Farmer-Laborites three. With the exception of 1998, this was the only time in modern American history that the party holding the White House improved its Congressional standing in an off-year election.

Upon closer examination, however, the victory should not be viewed entirely as an endorsement of New Deal programs. It is true that the great majority of voters expressed their preference for the New Deal over conservative Republicanism. When that was the choice, as was the case in most of the 1934 races, the New Deal usually emerged victorious. But a closer look at the results indicate that the electorate may have been giving its blessing to something more to the left than the New Deal (McElvaine, 1984, p. 229).

In those races in which the voters were given a choice between candidates to the left of Roosevelt, the results pointed to a desire to elect candidates advocating change in the current distribution of wealth and income (McElvaine, 1984, p. 229). The congressional elections in 1934 saw victories by some 35 individuals who were clearly to the left of FDR. Among them were Maury Maverick of Texas, Vito Marcantonio of New York, Ernest Lundeen of Minnesota, and Tom Amlie of Wisconsin (McElvaine, p. 229).

This direction from the electorate was clear beyond the Congress. It was affirmed in a number of Gubernatorial races as well as state legislative races. Fiorello La Guardia, a nominal Republican with socialist leanings, had already been elected mayor of New York City in 1933. In the State of Washington, The Commonwealth builders, a group favoring a production-for-use economy (producing only what the citizens needed), elected both of the state's United States Senators, one each in 1932 and 1934, three Congressmen, and nearly half of the state legislators. Other states showed signs of the move to the left and in three—-Wisconsin, Minnesota, and California—-the desire for policies more radical than those of the New Deal was unmistakable.

The Progressive Party in Wisconsin established in 1934, was plainly to the left of the New Deal. Senator Bob La Follette, for example, outlined his economic and social views in 1932:

> I am not interested in trying to maintain the status quo in our economic life. Devices which seek to preserve the unequal distribution of wealth now produced will halt the progress of mankind and, in the end, will retard or prevent recovery. (Doan, 1947, pp. 188-89)

His brother, Phil, ran for Governor and won. Progressive candidates also captured the Secretary of State, seven of ten Congressional seats, a plurality in the State House of Representative and a near plurality in the State senate. Phil and Bob La Follette had emerged as two of the most successful insurgent leaders (Schlesinger, 1960, pp. 106-107).

These were the pressures that Roosevelt faced in late 1934 through the summer of 1935: a Congress that seemed to be to the left of the President; the possibility that Huey Long would enter the 1936 race with enough votes to throw the election to the Republicans, and the extraordinary popularity of the Townsend Movement. The public wanted a change in the distribution of income so Roosevelt had to move quickly before the election to link himself visibly with the left. His task was to realign himself with the "forgotten man." Social Security, couched in terms of aiding the poor, became vital to the Roosevelt agenda.

These pressures may have forced Social Security onto the public agenda, but Roosevelt would define it in his own terms. Old-age pensions were seen by the public as a social problem that warranted a public response. The conflict over defining the problem was vital to Roosevelt and strategic business interests.

Townsend saw adequate consumption as the key to ending the depression. He viewed massive government spending and income redistribution programs as essential to restore economic growth (Holtzman, 1963, pp. 28-46; Piven & Cloward, 1977, pp. 48-92). Townsend thus used an under-consumption rationale to bolster his program. Seldom did grass-roots local leaders or activists articulate a coherent "underconsumptionist" rationale for pubic spending; but Townsend and others helped create a social climate that made policymakers more willing to consider such a rationale when it finally did emerge (Brinkley, 1995, pp. 74-75).

In March of 1934, Roosevelt had lunch with Gerard Swope to seek his views on unemployment insurance and old-age pensions. Swope described General Electric's own joint contributory pension plan, in which both employer and employee had a vested interest. Roosevelt asked Swope to summarize his ideas, which he did two weeks later. It was a comprehensive plan that included unemployment insurance, disability, and old-age pensions. Roosevelt suddenly became enthused about Old-Age pensions. He proposed an omnibus bill that included old-age pensions, unemployment and disability insurance, and aid to families with dependent children, the blind and the elderly based on the belief that the public assistance proposals would carry the others (Domhoff, 1970, pp. 211-212).

It was the opening that Roosevelt needed to solve what was essentially a business problem of competitive advantage in the marketplace. Given the "thunder on the left," Roosevelt dared not state that national old-age pensions were a business solution. His efforts to justify the program, therefore, were symbolically directed at the economy and jobs. He stated that with his bill many Social Security beneficiaries would indeed retire, thus freeing up jobs for the younger generation. This was the same goal as the Townsend plan with a major difference--the Townsend plan provided both immediate and significant assistance whereas Roosevelt's did not. Roosevelt also focused on the social insurance aspects of the proposal, with individuals paying "contributions" or "premiums" and receiving a "right' to future benefits. As Robert Myers, Social Security's chief actuary from 1947 to 1970 pointed out, supporters of Social Security over-stressed this feature (Weaver, 1982, p. 92).

The fiscal opportunity that Social Security taxes would provide, with the possibility of balancing the budget was an added bonus to Roosevelt's Social Security plan. Roosevelt would be viewed as solidly in the corner of the masses while concomitantly balancing the budget and helping to provide businesses with relief from their private pension dilemma.

Summary

Why did Roosevelt advocate Social Security during the depression? Quite frankly, he did so because he was forced; he was forced by a nation that was far to the left of Roosevelt. But Roosevelt had the final word on what form the legislation would take. He would redefine the issue from one of social justice to solving a business problem while having the public believe the opposite. The program finally adopted was far from universal in who was covered and far from fair in its finance. Economic conditions of the depression were unfavorable to the passage of old-age assistance. In fact, modern day economic theorists would likely call the adoption of Social Security in the 1930s reckless. Yet it did pass because of a unique set of political circumstances existing at the time. President Roosevelt, though originally unenthusiastic, became the chief political advocate for old-age assistance. It is ironic, however, that he is remembered for the support he provided because of the suffering he witnessed in the depression and his insistence that government do something about it. He is not remembered as a fiscal conservative or as a non-redistributionist. Yet it was these attributes that actually resulted in his support for Old-age pensions.

Roosevelt saw the revenues that the government would collect with no benefit payments in the early years as a means of balancing the budget. He did so with disastrous results. His actions can fairly be described as a major cause of the 1937-38 recession and America's inability to recover from depression in the 1930s.

Roosevelt is also remembered by many as being a redistributionist. He was not. In fact, little was done wit the goal of redistributing income in the 1930s, but a great deal was done to place the burdens of the recovery on the backs of the forgotten men. Regressive Social Security taxes and excise taxes were the leading sources of federal revenue during the Roosevelt years. It may well have been his attitude toward redistributing income through government that led him to push so strongly for the payroll tax as the sole source for financing Social Security. Some analysts might well ask: "Perhaps this was Roosevelt's only option, after all the capitalists were equally as devastated as the common man?" But that was not his only choice. Harry Hopkins, Rex Tugwell, Mariner Eccles, and Alvin Hansen were among those who advised Roosevelt to utilize deficit spending as a means of moving the nation away from depression. These advisors to the President each advocated the view that under-consumption was the leading cause of the economic woes beleaguering the country.

Roosevelt listened to none of it. At the base of the President's convictions was the notion that capitalism would lead the nation out of depression and therefore government should not stand in the way. In that sense, FDR was on the side of the common man. Political conditions, however, forced him to mask his true intentions. Roosevelt sought above all else a way of saving capitalism. He saw nationalizing old-age pensions as a means of relieving competitive pressures on many of America's largest and most strategic employers. Though many believed that the movement perished because of the depression, Welfare capitalism actually flourished in the

1930s chiefly through its power to redefine the issue. The issue was defined as nationalizing the costs of welfare so that all firms would compete according to the same rules. They could, in turn, push the costs onto workers and consumers because business could simply pass their portion on in the form of higher business costs and/or pay lower wages to its employees.

The original problem was based more on social justice, that workers had a right to decent pensions following a lifetime of dedication to a company. From a social justice perspective, something akin to the Townsend plan would appear to be the appropriate response. Welfare capitalists, however, redefined the issue as providing a minimum benefit based on the workers own wages.

Roosevelt is remembered for the wrong things. Rather than leading a government revolution, Roosevelt led a political movement that lasted for decades. It was in part based on his political skills of saying the right thing but masking realities. It was form over substance. Roosevelt was the master of symbolic politics.

CHAPTER III

THE MANIPULATION OF SOCIAL SECURITY

Introduction

There have been two class wars in our nation's history. The first occurred during the Great Depression while the second has been underway since 1973. In a real sense, the struggles have been over welfare capitalism and the needs of business. Welfare capitalism was a movement by certain captains of industry to capture the loyalties of labor. One of the chief weapons in this struggle was the provision of employer-financed pensions for workers. When these pensions proved to be too costly and the source of competitive problems with companies that did not provide pensions, the welfare capitalists "nationalized" the costs of pensions in the form of Social Security.

The working class lost the first class conflict, despite the claims made by many politicians that they had won. In the late 1930s Social Security taxes became the single leading source of federal revenue and, without benefit payments scheduled to occur until 1942, these revenues represented a windfall to the federal government. These revenues were not used to combat the depression but were used to balance the federal budget. Essentially, the "forgotten" man footed the bill for actions not in his best interests.

It was not until the prosperous 1950s that the welfare capitalists and the working class in similar fashion viewed old-age pensions. The welfare capitalists, however, were again diverting the costs of pensions to the federal level. With the backing of the courts, labor unions began negotiating pensions benefits as a part of the labor contract. Welfare capitalists strongly backed increased Social Security pensions as a means of acceding to the labor union demands and then passing the cost onto Social Security.

This period proved short-lived. In the second class conflict, starting around 1973, business interests are beating a working class that is largely unaware that they are in a contest. This newest conflict centers around the concept of globalization, with business cutting labor costs to the bone in an effort to be "globally" competitive. Blue-collar workers are no longer viewed as necessary in an economy in which the nature of jobs has changed dramatically and there exists a "surplus" labor force. In this environment, real wages have declined for the majority of workers, benefits such as health insurance and pensions have similarly been cut. Business interests are now attacking Social Security. Collective security with an assured retirement income is rapidly giving way to newer plans with the individual assuming the risk for her retirement. As shown later in this chapter, benefits as a share of hourly benefits have been declining since 1992.

Social Security has played a major role in each of these conflicts and has been used as a symbol throughout its long and apparently successful history. During the first class war, a steeply regressive payroll tax was imposed on the working class at a time when any money diverted from consumption threatened the recovery. Yet, consumption spending was taken away from the working class and resulted in the recession of 1937-38.

In the second clash, the attacks on Social Security can best be summarized as a return to individual versus community values. They reflect the basic conflict in our society over whose values will prevail. Liberal thought appears to have been ensnared in the philosophy of pre-depression times when individualism and small government were dominant. Liberals are currently defending the current Social Security system by attempting to defend the status quo. Accordingly, the battle lines have been drawn between the status quo and privatization of Social Security. Unfortunately, these are the wrong battle lines because they deprive the nation of the all of the facts and, hence, the appropriate response to what most politicians are calling a "crisis" in Social Security.

Both conservatives and liberals are misleading the public; liberals are misleading by failing to ask the appropriate questions, and conservatives are misleading by attempting to apply the "privatization" solution to a mythical funding "crisis." Instead of asking "how best to finance the program?" liberals ask, "how best to stabilize the program in its present form?" Conservatives are misleading by attempting to frighten the public into believing that Social Security will not be there for them in the future.

Both conservatives and liberal are again misleading the public by creating a "crisis" atmosphere among the public and, importantly, by their failure to acknowledge the other side of the Social Security equation--the numbers of people actually paying into Social Security. By ignoring this other part of the Social Security equation, the political system is escaping its responsibility to address the real problem facing working class Americans--the millions of people who are losing income, who are without work or benefits or both, or who are under-employed. In other words, the true problem facing working class Americans is the same problem facing them in the 1930s--a lack of security provided by the workplace.

Social Security has become the paradigm for how government programs ought to work. Currently, public debate rages on how to best assure that it remains solvent in the future. President Clinton, as well as a number of other leaders, has placed Social Security as the top issue on the public agenda. Politicians of both parties are saying that the current program is “unsustainable,” and that future generations will have to pay exorbitantly higher tax rates to support the increased numbers of retirees. They are basing this outlook on a 75-year forecast of the economy that was not intended to be used as a forecast but merely a planning tool for Social Security. To make this planning tool into a crisis by having the public believe that the system is going broke is symbolic politics at its worst.

Many of these crisis brokers assert that the private market is the vehicle to ”save” the program. This dialogue has done much to erode public confidence in Social Security. In 1993, for example, only 30 percent of the public felt confident that Social Security benefits would be paid throughout their retirement. Lack of confidence is especially acute among young people (Friedland, 1994, p. 5).

In the early 1970s economist Martin Feldstein, with the Bureau of Economic

Analysis, began the assault by asserting that Social Security reduced private saving and undermined economic growth (Feldstein, 1974, pp. 905-25). This was not a unique argument, but was given wider credence in a nation plagued with declining economic growth and the specter of an aging population.

Each of the various criticisms has undermined what one analyst has called the social insurance imagery that has sustained the program with "counter themes" of their own (Gamson, 1992, p. 11). The success of the critiques has been shown in the declining confidence in Social Security and the rising confidence that the critics can change a program once considered a paradigm. They hope to redefine the social securities basic mission by transforming the image of the elderly as needy and thereby undermining public support. This, in turn, will pave the way for drastic changes.

This redefinition is undermining the problem that originally sustained Social Security for nearly 64 years. The problem originally was defined as providing the elderly, regardless of income, with a minimum amount of security in their old age. Many are now saying that the returns on Social Security are insufficient for many Americans and they will never get back what the pay in. Privatization of at least a portion of Social Security taxes is the solution. But is privatization addressing an authentic problem?

The New Class Struggle

In reality politicians are conducting an ideological rather than a substantive campaign against Social Security. In the 1930s, the battle over taxes and old-age pensions was a class struggle. It was the business and monied elites against the working class in which the working class lost. The battle today matches the same combatants; the difference being that the working class is unaware they are in a struggle.

This power struggle is not merely a matter of who gets what, when, and how but more importantly who defines what, when, and how. In an age of mass-mediated political realities, skillful orchestration of symbolic messages by "image managers" and the resultant manipulation of mass public perceptions are as formative in shaping political outcomes as the more tangible realities of economic conditions, group resources, and demographic change (Quadragno, 1988, pp. 97-98).

The question of who defines a problem, who will be in a position to frame public debates over social issues and determine which interpretations are appropriate to place on the national agenda, reflects the symbolic nature of both the past and contemporary debates. In any conflict to define that nature of a social problem, there are competing definitions of the problem that rule the nature of the solutions. These competing definitions and their solutions rationalize and institutionalize the relative advantages of winning groups or classes through policies that will ultimately be legislated to apply universally.

Today politicians boast about the progressive nature of our income tax system by claiming that it is based on the ability to pay. Yet, the Social Security tax--which is a tax on wage income--makes that argument hollow. Social Security has become a vitally important source of revenue for the federal government. Table 10 shows just how important Social Security taxes have become. Shown in the table are the array of federal taxes and their percentage contribution to total federal revenues from the decade of the 1950s through 1997.

Table 10

Percentage Distribution of Federal Taxes From 1950 to 1970

Period	Income	Corporate Income	Social Security	Excise	Other	Total
1950-59	43.1	27.6	11.8	14.5	3.1	100
1960-69	43.9	21.3	19.2	11.1	4.5	100
1970-79	45.3	15.0	28.1	6.3	5.3	100
1980-89	46.2	9.3	34.6	4.9	5.0	100
1900-97	44.0	10.6	36.7	4.0	4.8	100

Source: Historical Tables: Federal Budget of the United States, Table 2.2.

The biggest beneficiary of rising Social Security taxes has been business. Not only are they able to avoid the tax by either passing it on to consumers or adjusting worker compensation, or a combination of both, the corporate income tax as a proportion of total federal taxes has fallen from 27.6 percent in the 1950s to 10.6 percent in the 1990s. The exclusion of dividends and interest income from the Social Security base has meant that the monied elite has gained the most from the Social Security increases. This is shown in Table 11. As a proportion of wages, dividend and interest income has grown in importance over the years, rising from 11.4 percent

Table 11

Increasing Importance of Dividend and Interest Income
1950-54 Through 1990-94

Year	Dividends and Interest as Percentage of Wages
1950-54	11.4%
1955-59	12.9
1960-64	15.1
1965-69	16.6
1970-74	17.4
1975-79	20.1
1980-84	27.4
1985-89	29.9
1990-94	28.5

Source: Author's analysis of National Income and Product Accounts of the United States, Table 2.1

of wages in 1950-54 to 285 percent in 1990-94. This represents an increase of nearly 150 percent over the period. They benefit by avoiding personal income tax increases and lower corporate taxes. Yet, the monied elite benefit from Social Security much the same as working class citizens. The benefit structure may somewhat favor the working classes, but it is the working classes that are carrying the tax load.

Welfare Capitalism and Changes to Social Security

The conventional wisdom is that welfare capitalism was disappeared during the depression and was replaced by government and the newly empowered labor movement in providing for the security of the working class. Neo-Keynesian economics appeared to have gained wide acceptance during this period in history, which ran from 1938 to 1973. Great strides were made in the equitable distribution of income, in combating poverty among all groups in society, and in the provision of economic security. It was called the "golden age" in America because the economy seemed to work for every class.

The period from 1973 through today has witnessed a dramatic change. First there was a period of economic stagnation followed by the globalization of the economy. There were demands smaller government accompanied by a much debilitated labor movement. The movement toward more equality of income, reduced poverty, and greater economic security had reversed.

Welfare capitalism, however, did survive the 1930s with the movement flourishing throughout the post War period. The history of welfare capitalism was presumed to have lasted from the late 1900s to the 1930s, ending as the weight of the depression changed the way America provided for its security. We have already seen in chapter two, however, that business interests were a controlling influence on the final form of the original Social Security legislation. The historical literature on welfare capitalism, however, tells a different story: the movement peaked during the 1920s, disintegrated during the 1930s, and was followed by the rise of the modern labor movement and the welfare state.

In *The Lean Years* (1960) for example, Bernstein argues that welfare capitalism was an unstable structure whose cornerstone, the company union, had an inherent propensity to disintegrate (p. 181). Similarly, Brandes (1976) claims that there was a leveling off of interest in the 1920s in welfare capitalism because as corporations grew larger they began to lose all contact with their employees (p. 141). Brody (1980) differs in the details but not the death of welfare capitalism--that it was very much alive during the 1920s and might have become the norm in American industry had it not been for the depression's severity (p. 78).

Rumors of the demise of welfare capitalism, as the saying goes, were greatly exaggerated. Instead of dying during the depression, welfare capitalism thrived by adjusting to and directing the outcome of various situations to its advantage. Welfare capitalists have been the only group powerful enough to define the social conditions of each era to their own benefit, regardless of economic conditions. Recalling the theoretical model spelled out in Chapter I, this point is significant. It is not so much who brings the social problem to public attention but who defines it that is important. It is in the redefinition of objective social conditions that welfare capitalism has dominated public policy from the 1930s through today.

Representatives of capital may have been divided in their attitudes toward Social Security during the 1935 to 1950 period. But an analysis of this movement that is based on either its unity as representatives of capital or, as instrumentalists argue, its perfect rationality emphasizes the wrong issues. First, organizations such as the National Association of Manufacturers (NAM) or the U.S. Chamber of Commerce represented a wide range of businesses that were in conflict over the private provision of welfare. Consequently, these organizations represented both those industries that made provisions for their workers and those that did not--the so-called "laggards." For the NAM or Chamber of Commerce take a position in favor of public social insurance would have threatened their very existence. The appropriate method of analyzing welfare capitalism's impact is by examining the types of businesses that were advocating Social Security--and these were some of the largest, most strategic businesses in America. These were the interests that sought to nationalize the costs of welfare while concomitantly maintaining the workers loyalty to the company.

Second, we need to look at real purposes in interpreting business reaction. The chief goal of welfare capitalism was to maintain worker loyalty to the firm primarily at the expense of unions. The movement succeeded in achieving that goal. Those businesses that were against social security legislation were opposed for reasons having nothing to do with social security. They were against Roosevelt period. Certain backward looking businessmen believed that an expansionary federal government was not in their best interests. Although the New Deal was acting in the best interests of capitalism, many in the business community failed to see it.

Third, what some analysts interpret as businesses unplanned adaptation to events (Tynes, 1996, p. 199) was in reality the political power to re-define conditions to best protect their interests. As the events of the 1930s have proven, no one group had the power to prevent certain social conditions from becoming agenda items. The times were too volatile with the left being so strong. But that is not where real power lay; it is in the shadows of policy making that real power is exercised. It is not a question of whether the ball was pitched but rather whether or not it was hit. The assertion of this type of power requires that it be displayed silently in order to best advance its' agenda and that the losers appear as the winners. This power was demonstrated not only in the 1930s but was especially important in the 1940s and 1950s as Social Security came to gain wide acceptance.

Political and Public Acceptance of Old-Age Insurance

A few years following the New Deal, most American liberals had come to view the New Deal as something more than an eclectic group of policies and programs. By the end of World War II, it had emerged as an idea: A reasonably coherent creed around which liberals could coalesce, a concept of the state that would dominate the thoughts and actions for at least a generation (Brinkley, 1989, p. 85). The central idea was that a type of Americanized neo-Keynesian economics would legitimize government's stabilizing role in the economy and empower politicians to promise growing prosperity to all Americans. For more than a generation they appeared to have kept that promise before things fell apart. Today, not only does Keynesian economics appear dead, much like welfare capitalism did in the 1930s, but the most enduring programs of the New Deal have been altered dramatically or are under severe attack.

Social Security, however, changed from a source of ideological conflict in the 1930s to becoming a productive and non-controversial program in the 1950s for two primary reasons: (1) the economy of the 1950s was the best in the Post War era, thus lending credence to Neo-Keynesian economics; and (2) welfare capitalism, mistaken for dead in the 1930s, was again able to use Social Security to its advantage.

Nevertheless, many contemporary analysts continue to point out the strength of the growing senior population and the program's universality as primary factors behind the political support for Social Security (Berkowitz, 1991, pp. 82-83; Tynes, 1996, pp. 191-215). Most often these analyses point to the universal nature of the program and the organizational skills of senior lobbies that help them attain access to the politicians.

Although the old-age lobby receives much attention from the media, these analyses neglect that there has also been a phenomenal growth of lobbyists representing business interests. Those centered in Washington D.C. increased by 32 percent between 1971 and 1990. In addition to trade associations, representatives of domestic and foreign corporations, think tanks, and public interest groups all have representatives in the nation's capital. The number of American corporations with offices in Washington grew from under 100 in 1950 to more than 500 in 1990. Of the 50 largest multi-national corporations, two-thirds have offices in Washington. In this light, the numbers and organization of the senior lobby is just one component of a much larger picture (Phillips, 1994, p. 61).

One aspect of this larger picture focuses on the great prosperity of the 1950s and 1960s and a shift in our economic thinking from classical to neo-Keynesian. During the Depression, economists spoke of a "secular stagnation," which meant that the United States had passed its peak of growth. Alven Hansen, an advisor to

Roosevelt and respected Harvard economist, wrote about the "maturity" of the nation's leading industries--steel, automobiles, construction, railroads--all of which seemed to have come near the limits of their capacity to grow. There were no industries set to take their place, thus the United States must adjust to its new limits. (Cohen, 1998).

Hansen and other economists, however, soon lightened their predictions on the American economy's prospects and began talking of tremendous growth and great prosperity largely engineered through fiscal policy. Although Roosevelt was not an adherent of John Maynard Keynes, many of his New Deal advisors were. When government spending was curtailed in 1937 and recession followed, these advisors recommended that spending no longer be viewed as a temporary measure but as a permanent policy to compensate for the slack in the private economy (Sandel, 1996, p. 261). They also called for measures to redistribute income through old-age pensions, subsidies for health and education, and unemployment compensation, to increase purchasing power of lower-income families (Sandel, 1996, p. 261).

The late 1930s Hansen came to be known as the American Keynes. Like most advocates of full-employment policies, Hansen promoted a "high-consumption" economy, in which the "propensity to consume" would drive economic growth. In that fashion, government would not directly impose itself on the private economy but would promote growth and expansion through fiscal and monetary policy. Hansen called on the government to "ensure and underwrite an adequate volume of purchasing power and effective demand" by greatly increasing its commitment to public investment and social welfare (Rosenof, 1997, p. 27).

The state could ensure full employment "by maintaining a national minimum of social services, by undertaking an improvement and development program of public works, regional resource development and public housing, and by underwriting and making loans to private business and foreign countries." All these under writings would have beneficial social results, but the larger justification for them would be their contribution to the health of the economy as a whole (Brinkley, 1995, p. 233).

Crucial to this new governmental role was deficit spending. It was on this issue that Hansen found himself most indebted to Keynes. The entire concept of full employment rested on the belief that government must take steps to stimulate economic growth at times when the private economy fell short. This meant that government spending would be highest when its revenues were lowest. This was a challenge to the balanced-budget orthodoxy. Its acceptance would mean a new economic paradigm. Deficit spending would be viewed as responsible government as opposed to irresponsible, and a technical role for government in the capitalist economy as opposed to a direct structural role.

The idea of state intervention can be viewed as a trade-off between capitalists and liberals. For capitalists, it defined a role for the state that did not involve planning or regulation and therefore was less threatening to capitalist prerogatives. For liberals, it was a means of assuring that the state had an active and powerful role in ensuring that the capitalist economy would work on behalf of all the nation's people. For the public it meant that public planning in the form of infrastructure investment and other public works would take a back seat to fiscal and monetary policy. These were the tradeoffs involved in the great compromise.

The 1950s easily measure as the best of the post war decades economically. Although the average annual increase in GDP is second, barely, to the 1960s, it leads every post war period in the average increase in real compensation, the unemployment rate, and corporate profits as a percent of GDP. The 1960s led all other post war periods in the average annual increase in GDP, and ranks second in all other categories (Table 12). It was this strong economic performance combined with the new economic view of fiscal policy supporting consumption that assured that Social Security gained widespread popularity. The period was termed the "Golden Age" in that prosperity was widely shared. Indeed, the hallmark of this period was

Table 12

Selected Economic Indicators for the Post WWII Era

Period	Increase in Real GDP	Average increase in Real Compensation	Unemployment	Corporate Profits as Percent of GDP
1950-59	4.2	3.2	4.5	6.6%
1960-69	4.4	2.9	4.8	6.2
1970-79	3.2	2.5	6.2	6.0
1980-89	2.8	0.2	7.3	4.3
1990-97	2.3	0.4	6.7	3.8

Source: Author's analysis of Economic Report of the President, 1987 and 1998, Tables B-1, B-38, B-49, and B-93.

that the economy generally worked for the benefit of the average citizen by sharing the fruits of growth among all (Palley, 1996, p. 21).

This unprecedented prosperity muted the conflicts over the regressive nature of the Social Security tax. By all appearances, there appeared to be something close to unanimity among conservatives and liberals concerning the importance of the program. The monied elite viewed the new liberalism as a necessary concession for much more drastic actions that could have occurred in the depression. Labor productivity grew at 2.5 to 3.5 percent a year in the 1950s and 1960s and the higher output provided for higher wages and an increasingly generous old-age insurance program.

Between 1950 and 1972, Congress extended coverage to farm workers and to other occupations that were previously excluded, granted workers the right to retire at age 62 with reduced benefits, raised benefit levels substantially, and in 1972 provided automatic cost-of-living (COLAs) as protection against inflation (Quadagno, 1998, p. 99).

From the late 1930s to the early 1960s, Keynesian fiscal policy appealed to policy makers as a way of avoiding the intractable controversies among the various interest groups. This political advantage contributed to Roosevelt's decision to adopt the spending policy of 1938 (Sandel, 1996, p. 263). Unlike competing proposals for structural reform, the spending solution was one upon which most New Dealers—planners, decentralizers, and Neo-Keynesians--could agree. Even conservatives regarded deficit spending as less objectionable than efforts to decentralize the economy or to impose central planning. Essentially, the Roosevelt administration opted for a solution that favored the status quo with respect to capitalism. "It shied away from drastic institutional reform and came to rely primarily on the spending solution" (Hawley, 1966, pp. 470-471).

The wartime expansion proved the powerful effect of fiscal stimulus. "The route to full employment the war seemed to demonstrate was not state management of capitalist institutions, but fiscal policies that would promote consumption and thus stimulate economic growth" (Brinkley, 1995, p.106). Growth did not require government intervention in the management of industry, only the indirect manipulation of the economy through fiscal and monetary policy. Such measures were not, as Roosevelt and others once believed, simply stopgaps keeping things going until some more basic solutions could be found; they were themselves the solution (Brinkley, 1995, p. 106).

By avoiding changes in the structure of capitalism, politicians had also discovered a method for ignoring class conflicts. They sought to avoid rather than embrace controversial conceptions of political and economic reform, and it was this strategy of avoidance that Social Security thrived through the prosperous years of 1950 to 1972. It was easy to justify increases in benefits to a greater proportion of the population because old-age insurance was viewed as part of a consumption-oriented fiscal strategy. Politicians could--and did--keep their promises to seniors on eleven different occasions between 1950 and 1972, as they increased the benefits under Social Security. The program was transformed from providing a floor of benefits against old age to being the chief anti-poverty weapon in the federal government's arsenal.

The growth of Social Security in the 1950s was nothing short of phenomenal. Every election year in the 1950s there was legislation enacted to expand the program. There were four benefit increases enacted during the decade; a 77 percent increase in 1950, a 12.5 percent increase in 1952, a 13 percent increase in 1954, and, a 7 percent increase in 1959 (Green Book, 1998, p. 7). The economy was so good in fact that early in the Eisenhower administration there were discussions about eliminating the payroll tax and going to total government financing (Quadagno, 1988, p. 148). In other words, going to a type of Townsend plan. As we shall soon discover, however, welfare capitalists opposed this change to the program.

Welfare Capitalism in the Post-Depression Years

The labor movement and government each showed remarkable increases in power during the 1930s. Union membership rose from less than three million in 1933 to almost 15 million by 1945. Measured as a proportion of the private-sector labor force, however, unions peaked during the war years at about 40 percent. Throughout the late 1940s and 1950s, union density fluctuated between 33 and 38 percent, and began its great decline starting in 1960. In 1996 union density was 12.4 percent. It was during the 1950s, though, that organized labor gained not only new members but political influence as well. This growth in membership and political power, however, was to be short-lived.

Although welfare capitalism had been badly hurt by the depression and the welfare state's success seemed to choke off what remained, reality was quite different. Welfare capitalists used the welfare state to their advantage once again in the post-depression years. A welfare state financed by payroll taxes would narrow the costs between firms that were committed to welfare capitalism and other firms that spent little or nothing on welfare benefits--the laggards (Jacoby, 1999, pp. 206-207). At the outset, this meant keeping public old-age pensions at a minimum while allowing firms with private plans to get tax breaks or choosing to remain out of Social Security entirely.

The resistance to general revenues as a funding source for Social Security both in the 1935 Act and the 1939 Social Security Act amendments assured that program benefits would remain slight. The economic risk involved with higher payroll taxes was a lesson learned from the 1937-38 recession. Business also opposed allowing Social Security to become financially independent through the buildup of a large contingency fund.

Congress adopted the business strategy intact in the 1939 amendments to Social Security. First, it substituted a pay-as-you-go system for a large reserve fund and delayed a series of scheduled Social Security tax increases to assure that the fund would not grow. Second, the payroll tax continued as the funding source. Business then proceeded to adopt private pension plans that were fully integrated with Social Security. This meant that employers would supplement the publicly provided pensions at little additional cost to the firm.

The Revenue Act of 1942 legitimized this approach by asserting that these supplemental plans were nondiscriminatory and even went so far as to describe methods for integrating corporate pensions and Social Security. The act also contained a hefty war profits tax, which employers could escape by putting excess earnings into certified pension plans. The result of this provision was the certification of 4,208 pension plans between 1942 and 1944--triple the number it had approved during the previous 13 years. The bulk of these plans were, of course, supplemental (Munnell, 1982, pp. 10-13).

Two events occurring in 1949 and 1950 changed the business strategy. First, in the *Inland Steel* case, the National Labor Relations Board (NLRB) ruled that employers had a legal obligation to bargain with unions over pension benefits. Employers had long regarded pensions as a "nonnegotiable" item. Second, Ford and the United Automobile Workers (UAW) signed a contract containing a pension plan. With this agreement in place, the unions made it common practice to push for pension increases in virtually all negotiations.

The incentives had clearly changed for employers to begin favoring higher public pensions because any increase in public benefits would result in lower total costs to the company. Indeed, in 1950 the large auto and steel manufacturers lined up behind a bill to raise Social Security benefits by nearly 80 percent. The National Association of Manufacturers, the Chamber of Commerce, and other business groups solidly backed a 1950 plan to extend coverage to more than 10 million uncovered workers. By now, almost the entire business community was behind Social Security and generous coverage.

For politicians this was a win-win situation. They could grant large benefit and coverage increases while not raising taxes. The number of newly covered entrants would provide a positive cash flow from the payroll tax while the number receiving benefits remained low. Importantly, the Congress could also be assured that business would avoid the costs. All of these moves, however, were based on the robust growth of the economy in the 1950s. The economy provided the glue that held the politicians, labor, and business together in support of publicly provided old-age pensions.

Economic Stagflation and Globalization

For over one hundred years, from 1870 to 1972, the American economy grew at an annual rate of 3.4 percent after inflation. In 1971 the United States experienced the first trade deficit of the century, an indicator that the nation was losing the competitive advantage it had enjoyed in the postwar period. A year later, the first OPEC oil embargo led to both recession and inflation--a phenomenon that economists said could not happen. Stagflation was the name applied to this phenomenon. These events inaugurated a new era of declining economic growth, reduced living standards, and rising income inequality.

It was during this period that welfare capitalism also came to an end. Not because the working class looked to other institutions or themselves for security but because the working classes loyalty was no longer required. The corporate elite no longer found it necessary to provide private welfare to attract employees when employees were no longer in demand. Welfare capitalism did not die but rather withdrew from the American economy.

The economy has changed dramatically since the period of stagflation. First, the nature of jobs has changed, as shown in Table 13. The U.S. economy went from a ratio of 2.28 manufacturing jobs for every service job in 1960 to .57 in 1995. Since 1980, manufacturing jobs have declined by 2.2 million, or 10.9 percent. Meanwhile, service jobs have gone from 7.3 million in 1960 to 31.8 million in 1995--a 329 percent rise.

Table 13

The Shift From Manufacturing to Services
Years 1960 to 1995 (Million of Jobs)

Year	Manufacturing	Service	Ratio Manufacturing/Service
1960	16.7	7.4	2.28
1965	18.1	9.0	2.00
1970	19.4	11.5	1.68
1975	18.3	13.9	1.32
1980	20.3	17.9	1.13
1985	19.2	21.9	0.88
1990	19.1	27.9	0.68
1995	18.0	31.8	0.57

Source: Author's analysis of U.S. Bureau of Labor statistics data, Bulletin 2445, and *Employment and Earnings.*

These numbers, however, do not portray the true magnitude of the changes in the American economy. More details are provided in Table 14, which shows changes since 1979 in the U.S. wage structure caused by the shift to service jobs. The table examines in more detail the changing nature of the labor market. First, white-collar jobs have become more common than blue-collar jobs in recent years. Persons working in professional, technical, and managerial occupations rose from 17.3 percent of the total labor force in 1955 to 31.4 percent by 1995, while persons working in craftsmen, operative, and non-farm labor occupations (blue-collar) dropped from 41.1 percent in 1955 to 25.3 percent in 1995.

Union membership has similarly fallen during this period. The period from the mid-1930s to the mid-1950s was one of growth by American labor organizations

Table 14

Changes in the Labor Market, Selected Years

JOBS (PERCENT)	1955	1965	1975	1985	1995
Manufacturing	33.3	29.7	23.8	19.8	15.8
Service-Producing	59.5	63.9	70.6	74.5	79.3
Prof./Tech, Managerial	17.3	18.9	21.4	27.2	31.4
Blue Collar	41.1	37.7	33.9	26.6	25.3
Union Membership	33.2	28.4	26.5	20.5	16.7
Benefits as Percentage of total Compensation	5.9	9.0	14.4	17.7	18.7
Pct. Increase in Benefits	--	52.5%	60.0%	22.9%	5.6%

Source: U.S. Bureau of Labor Statistics, Various Years.

encouraged by New Deal government support but also, more importantly, by a depression-stimulated social movement that pressed for working-class organization. An important reason for the decrease in membership is the decline in blue-collar workers—the traditional source of union members. This fall has been accompanied by a similar decline in union membership.

One important area left vulnerable to the withdrawal of welfare capitalism has been fringe benefits. Fringe benefits have become increasingly important in the total compensation of American workers, rising from only 5.9 percent of wages in 1955 to 18.7 percent in 1995 (Table 13). These fringes include not only government mandated contributions to social security, but also payments for employer provided health insurance, and pensions. The slowing of these fringe benefits, at least in part, reflect that employers are hiring more "contingent" workers (workers that are contracted out to employers) and part-time workers in order to hold down the rising costs of fringe benefits.

The growth in such "temporary" workers has grown substantially from 1973. Data on the number of employees in the personnel services industry and the temporary help industry is shown in Table 15. As the table shows, workers in the nonstandard workforce went from 664 thousand in 1973 to 5.6 million in 1997--an increase of nearly 750 percent. As a proportion of the total labor force, the number went from 0.8 percent in 1973 to 4.6 percent in 1997.

From Table 16, we can see a steady decline in private sector-employee provided pension coverage. From 1979 to 1996, pension coverage has declined 4.1

Table 15

The Growth of Temporary Workers From 1989-1996

Year	Number (Thousands)	As share of total employment
1989	2,671	2.4
1992	3,040	2.8
1997	5,614	4.6

Source: *Employment in Personnel Services Industry* and *Employment in Temporary Help Industry*, SIC code 736 and 7363 from BLS data.

Table 16

Change in Private Sector Employer-Provided
Pension Coverage, 1979-1996

	1979	1996	Change 96/79
All Workers	51.1%	47.0%	-4.1%
Race:			
White	52.6	50.6	-2.0
Black	46.4	42.3	-4.1
Hispanic	38.3	27.9	-10.4
Education:			
Less than High School	44.4	25.4	-19.0
High School	51.0	43.9	-7.1
Some College	51.4	47.9	-3.5
College	59.3	59.7	0.4
College plus	62.2	67.3	5.1

Source: *Change in Private Sector Employer-Provided Pension Coverage*. Based on March CPS data samples of private wage and salary earners ages 18-64 who worked at least 20 hours a week, 26 weeks a year. Coverage is defined as being included in an employer-provided plan where the employer paid for at least some of the coverage.

percent--from 51.1 percent to 47 percent. These figures are further contrasted by race, which shows sharp differences among Whites, Blacks, and Hispanics. Coverage for Whites declined over the 1979-1996 period by 2 percent, while Blacks and Hispanic declined by 4.1 percent and 10.4 percent respectively. Looking at the proportion covered by education levels is similarly distinct, with the steepest decline among workers without a high school diploma 19 percent. High school graduates and those with some college fell by 7.1 percent and 3.5 percent each, while college graduates and more than college rose by 0.4 percent and 5.1 percent respectively. Pension benefits, once the hallmark of welfare capitalism, have been cut significantly since 1980.

Because Blacks and Hispanics are disproportionately among the blue-collar work force, the data appears to confirm the "excess" labor supply supposition. This trend also warns of growing inequality in old age and reinforces the importance of Social Security in modern day America. As these workers reach retirement, without private pensions nor health care, the need for publicly provided pensions and health care becomes fundamental.

Business needs has also changed the nature of pensions. The typical form of pension has become the "defined contribution" rather than the "defined benefit" plan, which means the worker rather than the company takes the risk of fluctuations in the investments that back the plan (Kuttner, 1997, p. 86). This form of pension is designed to save companies money and therefore make them more competitive internationally. One new pension plan, called "cash balance," appears to gaining an increasing following in corporate America. About 12 percent of large companies surveyed annually by benefits consultant Hewitt Associates have shifted their traditional plans to a cash balance format, up from 6 percent three years ago (Kunde, 1999, p. 1D). Under the traditional defined benefit plan, the retirement amount is based on the retirees' years at the company and highest pay in the five years before retirement. Employees have to stay with the company most of their careers for the pension to be worth much. Under a cash balance plan, money accumulates over time. Thus, there is a greater amount in the plan early on and the employee can take it with him as he leaves the company.

A typical person who works for a company at least five years would have pension benefits worth 37 percent of his final pay in a cash balance arrangement, but only 7 percent under a defined benefit plan. By contrast, a typical worker retiring after 30 years would have benefits worth 147 percent of her final pay in a cash balance plan, and 213 percent under a defined benefit plan.

The cash balance plan is designed to reflect the mobile labor force of the new millennium. The period when a worker was attached to one firm during his working years appears to have ended. For example, IBM had approximately 40 percent of its workers join the company over the past six years. More than 60 percent of the hiring today is experienced professionals, with the rest coming from college campuses.

This type of plan suits both the employer and the "new" age worker fine. The employer saves a substantial amount on pension contributions. IBM, for example, will save about $200 million a year in pension contributions by going to a cash balance plan. The plan also suits the high-tech and professional employee because of their bias for job jumping. This type of pension plan, however, does not protect the traditional blue-collar workers who are typically not as mobile as other workers. The employee fortunate enough to stay with an employer for 25 or 30 years loses substantial benefits unless they are grand-fathered in the plan.

Another money saving method has been to siphon off tens of billions of dollars from their pension plans on the pretext that they are over-funded. Even in firms that retain pension plans, the large proportion of contribution has shifted from company to worker; workers are now financing retirements out of their own pockets rather than collecting them as a fringe benefit (Kuttner, 1997, p. 86).

The same dynamic has affected the other main element of welfare capitalism--health insurance. In the cost-cutting era, fewer companies offer health plans at all, and there are fewer plans and doctors to choose from. Additionally, more costs have shifted to employees--workers are required to pay a larger fraction of premiums and are herded into plans that have higher out-of-pocket expenses (Kuttner, 1997, p. 86).

The incentives for business to support social security and other welfare benefits have been altered. Business appears to define competitiveness as lower labor costs with fringe benefits a more likely target for cost cutting. Table 17, for example, shows the trend in benefits as a share of total compensation for selected years from 1959 through 1996. Benefits continued to rise through 1992 at 18.8 percent, but since have fallen back to near 1979 levels at 17.9 percent.

Table 17

Growth of Average Hourly Benefits for Private Sector Workers, Selected Years (1997 Dollars)

Year	Benefits	Benefits Share of Compensation
1959	$1.10	8.9%
1967	1.67	10.9
1973	2.59	14.1
1979	3.46	17.8
1989	3.74	18.2
1992	3.98	18.8
1996	3.80	17.9

Source: These data are computed from NIPA data on hours worked and compensation, wages, and other labor income, group health insurance, and social insurance from the public and private sectors. Data were inflation-adjusted using the NIPA Personal Consumption Expenditure index with health insurance adjusted by the PCE medical care index.

The War on Old-Age Pensions

Given this cost-cutting environment, support for old-age pensions has also diminished. Globalization has meant that the costs of old-age pensions are more difficult to pass onto the consumer when many competing nations don't carry such costs. Essentially, this is a "get poor" strategy that our nation conducts largely by default. It is by default for the government does little to intervene in the private sector with alternative strategies. Under the get-poor strategy, we continue to compete with other low-wage nations, thus driving down wages and benefits. It is called a get-poor strategy because it undermines the goal of rising living standards (Gregory, 1992, p. 29).

This strategy has been reflected by a variety of themes designed to undermine the support for Social Security. One claim designed to undermine the program is that the "pay-as-you-go" plan, established in 1939, makes the program unsustainable in the future. Recollect from an earlier section, Congress adopted the pay-as-you-go scheme largely in response to business pressure. A number of critics point out that when the baby-boomers begin to retire, the current trend in the wage base means that the program will run out of money (Ferrara & Tanner, 1998, p. 34; Robertson, 1997, p. 354; Turk, 1993, pp. 76-92).

Other writers point to growing poverty among children as another indicator of misplaced priorities. This counter theme states that a war of the generations is fast approaching between the young and the old "over the remains of a shrinking economy (Quadagno, 1997, p. 44). The economy was shrinking, the deficit rising, and savings rates dropping, critics contended, because of overspending on the welfare state, and especially Social Security. Peter Peterson, an investment baker and founder of the Concord Coalition, an organization dedicated to eliminating the deficit, declared in a 1987 *Atlantic Monthly* article that the U.S. "has let its infrastructure crumble, its productivity dwindle, its savings evaporate, and its budget and borrowing burgeon (Peterson, 1987, p. 43).

This counter-theme of generational equity focused primarily on Social Security, the most popular American welfare program, and the program with the most firmly entrenched sense of middle-class entitlement. As it became clear that the public was unmoved by depictions of generational warfare, critics employed a revised counter-theme. The attack on Social Security was now incorporated into a broader "entitlement crisis," which combined the theme of generational equity with dire predictions about the deficit, the erosion of family income, and the future of the economy (Quadagno, 1998, p. 100).

What distinguishes entitlements from other programs is that they are governed by formulas set in law and not subject to annual appropriations by Congress. Individuals who are eligible simply apply for the funds. Of the more than 100 entitlement programs, Social Security, Medicare, and Medicaid are the largest. There are two other types of program spending. One is discretionary spending, which includes defense and domestic spending, and the other is interest on the debt.

Although talk about an entitlement crisis has been around for more than two decades, it was not fully articulated into a single theme until the Bipartisan Commission on Entitlement and Tax gave it political legitimacy and media attention (Quadagno, 1998, p. 102). The Commission was chaired by Senator Bob Kerrey, a democrat, and co-chaired by Senator John Danforth, a republican. There were a total of 32 members with 10 from the house and 10 from the Senate. The remaining twelve members were from the private sector, having had "experience and expertise in the areas considered by the Commission" (Bipartisan Commission on Entitlement and Tax, 1994). These members included Social Security critic Pete Peterson, former Secretary of Commerce under President Reagan, who now headed the Concord

Coalition, two CEOs, and Richard Trumpka, President of the United Mine Workers.

The Commission pressed forward with its "definition of the problem," in a list of findings. The only member who refused to sign off on the list was Trumpka. According to the Commission findings, the "crisis" consists of two distinct problems: (1) entitlement spending is consuming a disproportionate share of the budget and crowding out other social needs, and (2) that current trends are not sustainable (Bipartisan Commission on Entitlement and Tax, 1994).

Entitlements Crowding Out Other Social Spending

According to the Commission, the share of federal spending devoted to entitlements increased from 22.7 percent of the budget in 1963 to 47.3 percent in 1993. The clear message is that entitlements are crowding out spending for domestic programs and is also a cause of the explosion in the federal debt, which went up nearly 400 percent between 1981 and 1995 (The United States Budget for Fiscal Year 1997, Table 7.1, p. 102). The implications are also clear--entitlement spending cannot continue to rise because it will drive up the deficit and crowd out other needed program spending.

Serious doubts are raised upon closer examination of this claim. Table 18 shows the Old Age pension and Medicare provisions as a percent of GDP for the period 1973 to 1997. It is not evident from this data that Social Security represents a program out of control or crowding out other spending. Comparing old-age pensions with the funding problems of Medicare and Medicaid is like comparing apples and

Table 18

Old-Age Insurance and Medicare as a Percentage of GDP

Period	Old-Age Insurance	Medicare	Total
1973-77	3.3%	0.7%	4.0%
1978-82	3.4	0.7	4.1
1983-87	3.3	0.7	4.0
1988-92	3.3	0.8	4.1
1992-97	3.4	0.9	4.3

Source: Author's analysis of data from Historical Tables, Budget of the United States Government, Fiscal Year 1997, Table 13.1 and Economic Report of the President, February, 1999, Table B-1.

oranges. The old-age insurance component of Social Security has remained stable at around 3.3 percent to 3.4 percent of GDP. Medicare has gone up from 0.7 percent of GDP in the 1973-77 period to 0.9 percent for the 1993-97 period, an increase of about 28.5 percent. Medicare costs, however, reflect the general cost trends in all of health care and, as such, should be a part of a health care reform discussion.

Members of the Task Force as well as other critics, however, treated Social Security and Medicare as a single, overwhelming crisis (Peterson, 1996). In fact these are two separate programs; they are financed separately; and they face distinct problems. However only by including the projections for Medicare can critics generate frightening projections for entitlement spending. But two-thirds of the projected cost increase is due to higher spending on health care; only one-third is due to old-age pensions (Munnell, 1999, p. 118).

Total Social Security costs have gone from 4.0 percent in the 1972-77 period to 4.3 percent in the 1992-97 period. A 1998 Congressional Budget Office (CBO) report forecasts Social Security rising to about six percent in the year 2015, and not rising anymore (CBO, 1998, p. 4). This increase is about the same size as the decrease in defense spending that took place after the Cold War ended. They do not suggest that Social Security is crowding out other expenditures.

Another way to examine the claim that Social Security is forcing deficit spending is to examine both income and outlays (Table 19). Once again looking at income as a percent of GDP provides a more accurate assessment of trends relative to the economy. When income is matched against outlays, a quite different picture of social security emerges--not of a program forcing budget deficits but as a provider of growing surpluses.

Table 19

Income and Outgo for Old-Age Insurance
(Expressed as a Percent of GDP)

Years	Old-Age Insurance Spending	Old-Age Insurance Revenue	Surplus (Deficit)
1973-77	4.0%	4.4%	0.4%
1978-82	4.1	4.8	0.7
1983-87	4.0	6.2	2.2
1988-92	4.1	7.0	2.8
1993-97	4.3	7.2	2.9

Source: Historical Tables, Budget of the United States, Fiscal Year 1997, Table 13.1 and Economic Report of the President, February 1999, Table B-1.

How could a program that in the current fiscal year is generating \$106 billion more in revenue that it spends be a part of the current deficit problem? The answer is that it cannot. Because Social Security runs a surplus, the deficit is actually reduced. If Social Security were repealed today, next year's budget deficit would rise by \$106 billion. Repeal Social Security and Congress would have to find \$109 billion more in spending cuts or tax increases to meet its stated goal of a zero deficit.

There is no other significant surplus on the horizon despite political rhetoric to the contrary. The Congressional Budget Office (CBO) predicts that total non-Social Security surpluses over the next 10 years will total only \$31 billion (July 15, 1998). Fully 98 percent of the 1.55 trillion in surpluses projected by the CBO over the next 10 years are from the building of reserves in the Social Security system (Table 20).

Table 20

Projected Surpluses Are Almost Entirely From
Social Security (Millions of Dollars)

Surplus	Net Surplus (1999-2008)	Percent of Total Surplus
Social Security Surplus	\$1,516	98%
Surplus in Rest of Government	31	2
Combined Surplus	\$1,548	100%

Source: CBO, "The Economic and Budget Outlook for Fiscal Years 1999-2008: A Preliminary Update", July 15, 1998.

If entitlement programs have absorbed a larger share of the budget in recent years, it is not due to runaway costs. More accurately, it is due to recent reductions in discretionary funding. Though it is true that discretionary spending fell from 43.7 percent of the budget in 1983 to 38.6 percent in 1993, the fault is not entitlement spending but the results of Congressional efforts to reduce the welfare state. President Reagan's Economic Recovery Tax Act of 1981 (ERTA), which substantially cut taxes for individuals and corporations, and President Bush's Budget Enforcement Act (BEA), which placed caps on spending for discretionary programs, strengthened the hands of budget cutters and weakened the revenue base for social spending.

This is demonstrated in Table 21, showing discretionary, entitlement, and debt payments as a percent of GDP, and also the revenue base supporting those spending areas. Total federal spending in FY 1997 equaled 20.0 percent of GDP--down 2.2 percent from FY 1981. Social Security spending increased 1.3 percent from 1981 to 1997, but social security taxes increased 2 percent. Both FY 1981 and FY 1997 showed surpluses for social Security, therefore social security could not have contributed to deficits. What accounts for reduced discretionary spending are interest on the debt (up 0.8 percent of GDP) and reduced non-social security revenues (down 1.5 percent). It is in these two areas that the deficit can be located.

An Unsustainable Future?

The other claim made by the Commission and other critics of Social Security

Table 21

Changes in Federal Spending and Revenue as a Percent of GDP, FY 1981-FY1997

	FY 1981	FY 1997	Change
Total Federal Spending	22.2	20.0	-2.2
Non-Social Security Revenue	13.8	12.3	-1.5
Non-Social Security Spending	17.1	13.6	-3.5
Interest on Debt	2.3	3.1	0.8
Social Security Revenue	5.4	7.4	2.0
Social Security Spending	5.1	6.4	1.3

Source: Historical Tables, Budget of the United States Government, Fiscal Year 2000, Table 3.1 and Economic Report of the President, February 1999, Table B-1.

is that future generations of workers will be forced to provide for the massive numbers of baby boomers retiring. Most commonly cited is the number of workers for each retiree. Currently there are slightly more than three workers for every social security beneficiary. Once the baby boomers start to retire, a dramatic drop to fewer than two workers for each beneficiary is predicted to occur within a period of about two decades; that is, as the entire generation of baby boomers born between 1946 and 1965 become eligible for social security retirement (Steurle, 1998, p. 1).

The numbers, though true, fail to give the entire picture. The more meaningful comparison is the ratio of dependent population--including children--to the working age population. When this comparison is made, it turns out that “Golden

Age" era of the 1950s and 1960s actually had a higher dependency ratio than the ratio projected for the next century. The ratio of those age 65 and over to those 20-64 will climb rapidly once the baby boomers start to retire, going from 0.214 in 2010 to an estimated 0.370 for 2035 and to somewhat over 0.400 in 2065. But these figures do not reflect total dependency. To accurately measure total dependency requires that the other large group of dependents--children—be added in the ratio.

The consequence of adding in children is that total dependency is not expected to be as high at any time in the entire 75-year forecast for Social Security as it was, for example, in the decade from 1960 to 1970. At that time the ratio averaged 9.00 or very close to one non-worker to worker. In 1995, the ratio was 7.10. Looking ahead, even with the projected increases in the number and longevity of the elderly, the projected ratio will not reach 0.800 until 2055 and will not reach 0.830 until 2075. The economic point is unmistakable: The picture of future workers staggering under an increasing and intolerable load of dependents is inaccurate. Relative to those of working age, there will be more elderly but fewer children (Ball, 1998, p. 3).

The Real Outlook for Social Security

There is a deficit forecast for Social Security, but it occurs well into the next century. It is this shred of evidence, however, that permitted all of the claims to be made against the current program. The Social Security Advisory Commission, appointed by the President every four years to review and advise the President on

Social Security matters, was responsible for the long-term economic forecast that has resulted in much of the controversy. That forecast, however, was only one of several scenarios laid out by the Commission. They made a high-cost and a low-cost estimate that, naturally, differed greatly. Under the low-cost scenario, for example, there would be a surplus of nearly $4 trillion at the end of the 75-year forecast. They laid out a middle-range or intermediate estimate--a "best guess" if you will. The Commission's intermediate forecast is the one most often cited. The intermediate forecast indicates that by the year 2032 the funds' assets, which will have grown enormously in the intervening years, reaching nearly three trillion dollars by 2018[1], will be exhausted and current receipts at that time will cover about three quarters of anticipated annual expenditures.

Putting this version of the forecast in proper perspective, however, disputes the crisis posture taken by critics. For example, an increase in taxes of 2.19 percent of taxable payroll would keep the fund fully solvent at least through the year 2070 (Eisner, 1997). That amounts to roughly 1.1 percentage points for the employee and 1.1 percentage points for the employer. While any tax increase is a serious matter, these figures hardly qualify as a "demographic time bomb." (Peterson, 1996, p. 21).

However, no one is proposing that raising payroll taxes close the entire deficit. Members of the 1994-96 Social Security Advisory Council recommended, for example, extending coverage to state and local employees, eliminating the

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[1] 1997 *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Trust Funds(OASDI).*

overstatement of the cost-of-living adjustment, extending the average period for the calculation of benefits, increasing the taxation of benefits, and perhaps raising the retirement age beyond that already included in the law. These are not only reasonable steps to close a substantial part of the presumed deficit but, more importantly, show that the financing hole is relatively small and modest solutions are possible. The "crisis", in other words, is a manageable problem even under the Commission's forecast. Critics of current arrangements have exaggerated the magnitude of the problem to "crisis" proportions to justify dramatic solutions.

As for the forecast itself, it can better be understood for what it is--a best guesstimate. No economist that can predict how the economy will perform that far into the future. The Trustees were obligated, nevertheless, to present a conservative assessment of economic growth and program costs for the future.

That assessment foresees the economy growing by 2 percent over the next ten years, falling to 1.8 percent in the following ten years, and continue downward to 1.2 percent in the last twenty years. This rate of growth is the lowest in our nation's economic history. It would be a good exercise to look back at the economic stagnation forecasts of the 1930s calling for a zero growth economy. Most of the stagnation theorists soon became Keynesians. But, they started out as doom and gloom forecasters of the American economy.

Another good exercise is to examine the actual purpose of the 75-year forecast, which was simply to express the intention of the public sector to continue Social Security as a self-supporting system. In other words, it is a technical planning tool for any changes required in the system and was not meant as a serious forecast application. There is no other way for Congress to make this point so convincingly as to plan ahead by including in the law contribution rates designed to make the program self-supporting over a period that roughly encompasses the entire working life and retirement of young people just entering the labor market (Ball, 1998, p. 36).

To have members of Congress and the various "think-tanks" turn the application into a "crisis" indicate that their real goals are political rather than technical. Critics of Social Security have as their purpose the undermining of the program in the public's mind. In this fashion, the shift away from providing workers protection from the vicissitudes of life to an every man for himself becomes an easy step, especially given the technical "cover" that they employ.

The Class Struggle Replayed

The method for "saving" Social Security is through privatization. The point needs to be made, however, that the type of privatization that critics of the program are arguing for is individual accounts where everyone takes his or her own risk. They do not recommend placing a portion of Social Security money into the market for the benefit of all program beneficiaries. This approach is an attempt to turn a philosophy that has served the nation well for the past sixty years into a technical issue. And, since they are armed with a forecast showing a system having problems paying full benefits 33 years from now, they can portray their motives in a positive light. Business lobbies and conservative think tanks pushing for privatization are once again manipulating the public to achieve narrow ends. This time, though, their ends do not match the public's ends.

In the 1950s, the business community supported Social Security so that it could avoid heavy pension costs. The redistribution offered by Social Security was generally thought to be good because it supported increased consumption by senior citizens. This new era is defined by business as being globally competitive. But, under what standards is global competitiveness defined? Business appears to be following is called a "get-poor" strategy; that is, competing with low wage nations in a race to the bottom. This type of strategy undermines the public's goal of rising living standards.

The opposite is called a "get-smart" strategy in which the country invests heavily in infrastructure and worker skills. The objective is to attract industries requiring a much greater degree of sophistication and greater job skills. The primary objective is to help maximize the competitiveness of industries through improved productivity. Under this form of competition, wages are higher and the jobs less mobile because they are dependent on skills not readily available elsewhere (Gregory, 1992, p. 29). It is a strategy characterized by nations such as Germany and Japan.

The "get-poor" strategy that the nation's leaders appear to be following favors balanced budgets over infrastructure investment and improved worker skills. It favors reductions in labor costs, including wages and fringes. So also does it favor reducing the welfare state, especially Social Security. We have seen previously how business is making cuts in private pension and health care costs. Business is rapidly adopting defined benefit plans under which the individual is responsible for how much he will receive at retirement, and saving immense sums of money under this arrangement.

With Social Security there would be a couple of payoffs for business. First, by cutting back on Social Security benefits, income redistribution as well as disability costs would be scaled back as well. This means lower overall costs to the Social Security program. Second, the financial community would make billions of dollars in service and consulting fees from the millions of individual accounts created. In some cases these fees could rise to as much as 30 percent of the amount invested. Social Security currently operates at about one percent of investment.

Newspaper and magazine reporters, who do not have the time to learn the facts, portray privatizers as bold reformers willing to make tough decisions and their opponents as apologists for the status quo (Chait, 1999, p. 3). But all of this obscures a simple fact: Privatization has nothing whatsoever to do with saving Social Security. While it is possible to save Social Security and privatize it, it is a contradiction to believe that it is possible to save Social Security by privatizing it (Chait, p. 3).

Income redistribution--Social Security's greatest progressive achievement--would no longer be possible under privatization. Currently, the Social Security formula is fixed to give a better deal to the poor than to the rich. For instance, someone who earns an average of $30,000 for his entire working career pays half as much as someone who averages $60,000 for his entire career, but receives just 29 percent less in benefits upon retirement. This sort of income redistribution can only happen because everybody's Social Security taxes go into a common pot. If everybody saves for himself, there can be no income redistribution (Chait, 1999, p. 2).

Under current arrangements, the risks of retirement are spread across the entire workforce. Under a privatized system, risk would be concentrated in the individual--meaning that your Social Security taxes would go into a personal account and your retirement would depend on how much salary you earned while working and how well you invested it (Chait, 1999, p. 2). It is a move toward a defined benefit plan versus our current defined benefit. Once again, one can discern the interests of the business community behind this drastic change in philosophy.

The talk about partial privatization is merely a step to the ultimate goal of full privatization. It is a divide and conquer strategy. If you add private accounts to the current system, Americans would have two parts to their retirement. First would be their regular Social Security account, parts of which are being siphoned off to pay for current retirees, the disabled, and low earners. Second they would have individual accounts in which the benefits are all theirs. Can there be any doubt as to what happens next? People would look at their two accounts--one of which was being used to help complete strangers and the other compounding away for their individual benefit—and demand that Congress reduce the public account and increase the private one. Partial privatization can be described as the thin end of a wedge (Chait, 1999, p. 3).

Under a strict application of privatization, meaning individual accounts for all workers, the welfare state would be ended. For the past 60 years the welfare state has served to even out the differences in life chances, to achieve greater equity between generations, and to redress inequality by race or gender (Atkinson, 1996, p. 5). As Robert Haveman (1985, p. 8) described it, one important "gain from the welfare state is the universal reduction in the uncertainty faced by individuals."

Social Security and the Distribution of Income

On the economic side, a key variable is the difference between the rate at which benefits increase and the rate of increase in the tax rate--or the rate of increase in wages. This is the ignored part of the Social Security equation and, indeed, the most important part. If wages do not grow sufficiently or if wages are poorly distributed through the income classes, we cannot meet many of our future obligations, let alone Social Security.

For example, if the distribution of income were the same as in 1970 there would be no forecasted financial gap. How it came to be that the number of retirees became the central issue and not the deterioration in the equality of income demonstrates how well symbolic politics is working. It is the poor and the working class that are being made to front the costs of a flawed labor market and a badly skewed income distribution system. If labor was not part of a "get poor" strategy and there were a more equitable distribution of income, payments into social security would be more than adequate. The public, however, has been deceived into accepting Social Security reductions as inevitable, our economic arrangements as a given and privatization as the savior.

Table 22 shows the changes in wages for all workers from 1973 to 1997 by percentile. The advantage of analyzing wages by wage level is that it captures all of the changes in wage structure. This is important in demonstrating how Social Security has been affected by the changes because it depicts changes at all wage levels. The years selected are the cyclical peak years of 1973, 1979, and 1989 and for the most recent year for which wage data is available, 1997.

The breadth of the wage problem is clear from the fact that real wages fell for the bottom 70 percent of wage earners over the 1979-89 period, while wages were either flat or falling for the bottom 80 percent over the 1989-97 period. The lower the wages were, the greater was the decline over the 1979-97 period. For that period wages were flat at the 80th percentile (up 0.4 percent) but were down 8.0 percent and 14.9 percent at the 10th and 20th percentiles. The median worker, who earned more than half the wage force but also earned less than half of the wage force, fell 5.5 percent over the 1979-97 period, 3.1 percent over the 1989-97 period, and 2.4 percent over the 1979-89 period. Our nation's leaders are avoiding their obligation to the nation by failing to address this issue.

In the campaign to undermine Social Security, a sense of urgency has been given to privatization. It has become the standard on which to judge Social Security reform. Today, most of the key political actors, including President Clinton, back

Table 22

Wage Changes by Percentile

Real Hourly Wage	10	20	30	40	50	60	70	80	90
1973	6.07	7.33	8.70	10.13	11.61	13.32	15.46	17.68	22.22
1979	6.42	7.33	8.61	10.13	11.46	13.27	15.69	18.29	22.46
1989	5.39	6.71	8.05	9.62	11.18	13.05	15.53	18.57	23.46
1992	5.49	6.68	7.99	9.34	11.16	12.75	15.10	18.24	23.07
1997	5.46	6.74	7.94	9.25	10.82	12.69	15.08	18.37	23.90
Pct. Chg.									
1973-79	5.8%	0.1%	-1.1%	0.0%	-1.3%	-0.3	1.5%	3.5%	1.1%
1979-89	-16.1	-8.5	-6.5	-5.	-2.4	-1.7	-1.0	1.5	4.5
1989-97	1.4	0.5	-1.4	-3.8	-3.1	-2.7	-2.9	-1.1	1.9
1979-97	-14.9	-8.0	-7.8	-8.6	-5.5	-4.4	-3.9	0.4	6.4

Source: Authors analysis of BLS Data.

some form of privatization. The public is largely unaware of the implications of this reform. The truth is, however, that rising inequality poses a far greater threat to the living standards of American than the retirement of the baby boomers or the aging of the population (Baker, 1997).

Summary

Despite the conventional wisdom that welfare capitalism had ended in the depression, the movement not only guided the original Social Security legislation but as been the guiding force behind every new direction that the program took. Each new direction was aimed either at improving the competitiveness of business or avoiding the costs of Social Security. We can see the "invisible" hand of business during each of the different phases of the program.

The first phase was an effort to nationalize the costs of pensions so that all businesses would bear the same burden. Privately provided, non-contributory pensions granted between 1910 to 1924 were troubled by a number of firms--the so-called laggards--that provided no pensions at all. These pensions were also troubled by the high costs of providing them. The states could not remedy this situation because of inter-state competition. Those states that did not have pension plans would be more attractive to businesses that did. Only federal legislation could correct this situation.

Though the "thunder on the left" brought the problem of old-age security to the public agenda, business would define the problem to suit its own interests. Roosevelt, who sincerely believed that business who would lead the nation out of depression, was the primary motivator of a business solution. FDR's ability to manipulate the situation to his advantage by appearing to side with the common man was a masterful application of symbolic politics.

The second phase was keeping this "radical" new program under control.

Business did this through insistence that the program remain funded by the payroll tax. The harsh lesson learned though the 1937 recession was that a payroll tax that took too much away from low-wage and middle-income workers would undermine the national economy. Capitalists were also opposed to building a large contingency fund for Social Security as was originally intended in the 1935 Act. Congress adopted the business strategy in the 1939 amendments to Social Security by sticking with the regressive payroll tax as the funding mechanism, delaying scheduled increases in the payroll tax to avoid a fund buildup, and adopting the current pay-as-you go system.

It was during the third phase, running from about 1950 to 1973, that business interests appeared to mesh with the public interest. Unions had begun bargaining for higher employer provided pensions and were bolstered by the NLRB and court decisions. Business, with their integrated pension plans, quite naturally sought higher Social Security benefits in order to reduce the costs of private pensions. Virtually the entire business community was united behind increased Social Security benefits. Congress added a number of groups to be covered under Social Security that made it easy to grant more generous benefits because there were many more paying into the system than receiving benefits. The period was also known as the "golden age" of American prosperity because of strong economic growth. The growth in the economy was the glue that made everything come together to make Social Security the most popular public program ever. Business was also supportive of Social Security's redistributive benefit schedule as Neo-Keynesian economics became the new economic paradigm. Under Neo-Keynesian economics, the generous benefits and redistribution were considered as supportive of a consumption-based economy.

The fourth phase was marked by a period of stagflation, something economic theorists said could not occur--a stagnant economy and high inflation. American business also felt the squeeze from foreign competition. A new period of globalization was upon us. Welfare capitalists soon reversed course and began downsizing and putting the brakes on wages and benefits. Business goals and the public interest no longer were in sync. It was the start of the second major class conflict in America as capitalism found that the world was its backyard for labor, not America.

No only wages but benefits became the target of businesses massive effort to reduce costs. Social Security became a major target. The business community, employing its various think tanks, has conducted a campaign to undermine the publics favorite program. It has masked this effort as technical--saving a program that is "unsustainable" in its' present form. Armed with what is essentially a planning document, they have used the Advisory Commission on Social Security's 75-year forecast to portray the system as being in crisis.

Virtually every "fact" they have presented about the condition of Social Security has been misrepresented. The forecast of a record high dependency ratio in future years conveniently forgot to include children. By including children, the dependency ratio is not forecast over the 75-year period to reach the level of 1960.

Blaming Social Security for the deficit crisis when the program is providing the only surpluses on the horizon represents a cruel hoax on the public. Blaming Social Security for everything from inadequate infrastructure investment to child poverty is another ruse perpetrated on an unsuspecting public. Though discretionary spending is down, the blame lies with our politicians strengthening the hands of the budget cutters through tax relief programs, which reduced non-social security revenue as a percent of GDP, and growing interest on the debt.

By adopting a privatization plan for Social Security would effectively bring the welfare state to an end. During an economic period when individual security is eroding rapidly, it would seem that the need for a collective program such as Social Security becomes even more heightened. The need for income redistribution at a time of growing inequality becomes heightened also. Privatization would dramatically alter the problem that Social Security has addressed for the past 60 years--protection against the uncertainty in life brought about by old age, disability, loss of income, or the death of a spouse. Under a privatized system individuals would be on their own, which is attractive to some but anathema to many.

Those that defend the current system are also misleading the public. They mislead by defending that current system and asking the wrong questions. They defend current financing through the payroll tax without examining the implications. The money taken in Social Security taxes is generating a surplus, which means that the money is not fully returned to lower-income households. The lesson that should have been learned from the Great Depression was that taxing lower-and middle-income taxpayers so heavily dampened both consumption and saving.

CHAPTER IV

THE WAR ON CRIME: UNBALANCED RESOURCES AND A DIFFERENT AGENDA

Introduction

The day that Richard Nixon declared a "war on crime" was when our criminal justice system abandoned its primary purpose--to control crime. "Get tough" politicians began emphasizing imprisonment as the primary method for controlling crime and backed it up with vast resources. The primary goal of our criminal justice system is to make the public safer from crime, but to do that requires a balance in the resources committed to combat crime. The system is loaded in the middle and back ends of the criminal justice system; that is, the bulk of this nation's resources go to prosecution and prisons with very little flowing to the front-end. It is at the front end of the criminal justice system, however, that police protection is intended to capture offenders to begin with, along with a number of programs that designed to prevent crime at a much lower cost to the public than our prison policy.

Among these preventive programs are child abuse prevention, child health intervention, Head Start, and Jobs Corps. These programs have shown considerable success in keeping potential future delinquents from ever committing crimes at a much lower cost than incarceration after the crime has been committed. Notably missing from these crime prevention strategies, however, is an infrastructure investment program designed to increase the future productivity of the workforce while at the same time assuring good jobs for millions of unemployed or under-employed Americans. It has not been included primarily because of this nation's aversion to any form of economic planning. It should be included.

Ronald Reagan convinced the nation that drug abuse was the cause of violent street crime. This highly arguable relationship was backed up with massive resource commitments to prosecutors and prisons. The public sector has been stingy, however, in providing adequate appropriations for either police protection or crime prevention programs. Indeed, we are doing a poorer job of catching violent offenders, and about the same for property offenders, than we did in the 1960s. This allocation of resources is irrational--unless there is another agenda that seeks something other than crime control. Whether or not a balance in our resource commitments would in fact make the public safer is not the question, however. Rather, it is the manner in which our criminal justice system changed the goal--with no one telling the public.

The retribution-oriented politicians make the claim that it is public opinion that demands that the criminal justice system incarcerate so many offenders. Public demand on that subject, however, is not at all clear--at least not as clear as the effort by our politicians to manipulate public opinion toward a much greater use of imprisonment.

When defining crime, our "get tough" politicians have been informed by a time-tested formula. The formula is based on a widely held public predisposition to associate crime and poverty. Politicians merged this predisposition by taking the criminal classes and lower classes and redefining them as the "dangerous" classes. In Middle America, far more fear and hostility are directed toward the predatory acts of the poor than toward the criminal acts of the rich. By portraying Black protestors for social and economic justice as "thugs" and "predators," the political class successfully put a Black face on crime. The white-collar crimes of the rich, meanwhile, are rarely investigated, or if investigated, rarely prosecuted, or, if prosecuted, rarely result in a prison sentence.

The fear of crime for Middle Americans always comes from the classes below them on the economic ladder, not those above (Reiman, 1998, pp. 162-163). For this to occur, however, it is necessary to have crime and poverty closely identified--and we must also fail to control crime so that the "threat from below" remains a threat. This, in turn, may provide an explanation of the gross imbalance in resources going to the back end of the criminal justice system.

The war on crime and drugs is really a war on Blacks, on the working class, and on the middle class. It is a war by the few at the top on the masses below. It is a war on Blacks for they are being locked away in devastating numbers. It is a war on the working class for the political system invests a great deal in prisons but little in their future prosperity. It is a war on the middle class because they are being misled by the political class into believing that they are enveloped in a wave of violence from the classes below.

The politics of crime and punishment involves the ability of the upper classes to redefine the social problem of crime in a manner favoring them. It is not a conspiracy but rather a different way of thinking that carries the coercive authority of the state on the rest of society. Thus, in virtually every important issue facing the public, there is always a minority that can impose its values on the public. In the case of our criminal justice system, these values are clear. It is street crime rather than white-collar crime that has been defined as the largest threat to the public--despite the vastly greater number of lives lost and amounts of money lost through white-collar crime. There is no conscious effort to lock up the excess labor force or Black males because of their threat to disrupt the status quo. Rather, it is politics as usual that is the enemy--which is far harder to combat than a conspiracy because it reflects the struggle to have a particular group's values and beliefs apply to the rest of society. In this fashion, a narrower range of responses to social conditions confronting the nation is given to the public.

These elite values dominate our political institutions with lawmakers and civil servants functioning as enforcers of this limiting way of thinking. It is codified in statutes and all of society must abide by these "truths." Some of the terms involved are "social oppression" or "institutional racism" in which there exists a dominant culture and a subordinate culture. The relationship between White and Black Americans is a case on point. Whites generally benefit from the systematic exploitation of Blacks. Yet the public has a hard time identifying this relationship because most of the public can only identify with individual values that are not generally exploitive. The institutions that the public lives under, however, tend to adopt coercive policies in accordance with the values and beliefs of the elite.

The following three chapters examine the politics, the funding, and the effects of our current criminal justice system. Chapter IV looks at the funding for criminal justice and attempts to trace the commitment to the primary objective of criminal justice; that is, to make the public safer. The disproportionate amount of resources going to the judicial/legal function and the corrections function—the middle and back end of the system--with indifferent attention paid to police protection and crime avoidance programs at the front end, raises serious doubt as to the sincerity of that goal.

Chapter V traces how corrections functions to serve the goal of public safety and finds that, without a balanced commitment of resources, the only goal that corrections can effectively meet is retribution. By looking at trends in the rate of crime as a possible explanation for the amount of resources devoted to corrections, the author finds an extensive misreading of crime rates. While crime was and is a serious problem, by no means did it constitute the crisis claimed by our public officials. By examining public opinion as a possible source for the punitive policies this nation has followed, one discovers a deliberate effort to manipulate public opinion into making choices that the political system wants--not the other way around. The drug war, for example, did not rank high on the public's list of priorities until after the Reagan Administration conducted a massive propaganda campaign indicating that it was indeed our most serious problem. The federal government replaced what was supposed to be its primary focus on white-collar crime with drugs and began locking up drug abusers in devastating numbers.

Chapter VI examines the results of the "get-tough" approach and concludes that the government gave up on public safety the day it declared a war on drugs. Our political leadership has instead followed a hidden, or shadow, agenda of attempting to control the excess labor force in an era in which employees have lost their value to business. The results of this shadow agenda have been predictable--Blacks and the poor are the targets because the government has found it too costly, both programmatically and politically, to actively intervene in the private sector. From the vantagepoint of our public officials, structural responses to crime would pose a threat to our current social and economic systems. Thus, the "get tough" approach that the nation has taken is far less costly. It is this attitude that has come to dominate our institutions. Indeed, this predisposition to punish has overtaken the public's predisposition for rationality ad fairness.

The Roots of Get Tough Politics

Economic and social insecurity provide the "fertile soil" for paradigm shifts in the political system, and it is economic and social insecurity that has fueled the forces of law and order politics. The social protests of the 1960s--Vietnam, civil rights, the women's movement, and the Gay and Lesbian rights struggle--had shocked the larger public by attacking their core values and disrupting their communities. Further exacerbating the situation was three assassinations in the 1960s: President John F. Kennedy, his brother Robert, and Dr. Martin Luther King.

The nation was desperately looking for leadership, for someone to restore order amidst the chaos. Though in 1964 Barry Goldwater became the first presidential candidate to run on a law and order platform, one of the first leaders to attract blue-collar workers in large numbers was George C. Wallace. Wallace provided his blue-collar followers with a highly popular theme that was clearly racist: "Politicians are always trying to explain why some people don't obey the law--because they didn't have any watermelon when they were children" (Carter, 1995, p. 35).

Supported primarily by the working class, Wallace ran strong second in the 1968 presidential primaries. It was Richard Nixon, though, who won the nation's highest office by shrewdly repackaging the Wallace message through his "Southern strategy." The role Nixon played in giving voice to Middle America's anxieties was an important turning point in the nation's history. Nixon fashioned what came to be known as the original "get tough" program.

In his basic campaign speech of 1968 he would draw his audience in by referring to the "forgotten" American, voicing his concern for the Vietnam War and his disdain for crime in the streets. "I am proud to have served in an administration in which we had peace in the United States, in which we did not have this problem of violence and fear which pervades this nation and its' cities today" (D. Gordon, 1995, p. 179).

Nixon moved the voters by appealing to their baser instincts. His message was more veiled than that of Wallace, but hardly less racist. During the 1968 presidential campaign Nixon claimed that the real cause of crime was not poverty or unemployment but "insufficient curbs on the appetites or impulses that naturally impel individuals towards criminal activities" (Marion, 1994, p. 70). Nixon concluded that the "solution to the crime problem is not the quadrupling of funds for any governmental war on poverty but more convictions" (Matusow, 1984, p. 401). As a part of his "southern strategy," this was an effort to win the South by redefining civil rights protestors challenging segregation and black disenfranchisement as "hoodlums, "agitators," "street mobs," and "lawbreakers."

Republican analysts suggested that Nixon might also find a responsive audience among white suburbanites, ethnic Catholics in the Northeast and Mid-West, blue-collar workers, and union members. It was an opportunity to break up the New Deal coalition. This segment of the public was concerned that our government granted special privileges to Blacks and, through the welfare system, was supporting Black idleness. Some conservative political strategists frankly admitted that Nixon's "Silent Majority" was appealed to on the basis of these racial fears and antagonisms toward Blacks. Kevin Phillips, for example, argued that a Republican victory and long-term realignment was possible primarily on the basis of racial issues and thus suggested the use of coded anti-black law and order campaign rhetoric (1969, p. 101).

Similarly, John Ehrlichmann, special counsel to the President, described the Nixon administration's campaign strategy in 1968: "we'll go after the racists. That subliminal appeal to the anti-black voter was always present in Nixon's statements and speeches" (Ehrlichmann, 1970, p. 233). As the traditional working-class coalition that had buttressed the Democratic Party was ruptured along racial lines, race eclipsed class as the organizing principle of American politics. By 1972, attitudes on racial issues rather than socioeconomic status were the primary determinant of voters' political self-identification (Beckett, 1997, p. 42).

Once in office, Nixon supported his campaign rhetoric by sponsoring crime legislation that gave as much attention to the forms of offending--drugs, pornography, and vice--that threatened the "traditional" values of his constituency as to the predatory acts that threatened their persons. From the Nixon era through today, virtually every politician, either officeholder or officeholder wannabe, has adhered to the Nixon style.

It is a style of symbolism over substance. It is political actions and responses that shape the citizens knowledge about the world around them, not the other way around. We respond to political words and deeds that help shape our outlook of the environment as either threatening or non-threatening (Page & Shapiro, 1992, p. 180). The politics of symbolism in Criminal Justice, similar to the current Social Security debate over a mythical funding predicament, manipulates the public into believing that they are facing a real crisis. This is not to say that crime is not a real problem, but rather to indicate that, absent elite manipulation, it would not rise to crisis levels. The crisis, in other words, was an invention of politicians.

Ronald Reagan took Nixon style rhetoric to new heights. Reagan, the "Great Communicator", was able to influence the Democratic House of Representatives to adopt the harshest crime bill in the nation's history. "In this war, Reagan asserted, "the battle flag would replace the surrender flag" (Kirthen, 1982, pp. 1934-36). The Comprehensive Crime Control Act of 1984 was the turning point in the direction America would take in battling crime.

Among its key provisions, the law severely restricted the power of federal judges over sanctions imposed by establishing "sentencing guidelines." Prior to the guidelines, judges would impose a range of time to be served, for example 2 to 8 years. The offender could be released on parole any time after serving the minimum if he or she were evaluated as ready to return to society. The guidelines imposed a time definite sentence without a range. The guidelines, of course, set harsher sentences and set the minimum amount of time to be served at 85 percent of the sentence. For our federal politicians, the sentencing guidelines have come to serve as their vehicle for appearing tough on crime.

Since they were adopted in 1986, politicians have broadened the types of crimes punishable by prison and toughened sentences for most crimes. Judges have become little more than rubber stamps in imposing these largely pre-set sanctions. Without much exaggeration, this new role for judges at the sentencing stage may be paralleled to a glorified clerical role.

Drugs became the means to the "federalization" of crime at the street level. Reagan's 1981 Task Force on Violent Crime was charged with recommending "ways in which the federal government can do more to combat violent crime" (U.S. Department of Justice, *Task Force on Violent Crime: Final Report,* 1981, p. V). Reagan's desire to get the federal government involved was at that time questionable, however, because street crime was the province of state and local governments.

FBI Director William Webster, for example, argued that fighting this type of crime was "not our role, not our responsibility" (Pear, 1980, p. A1). In support of his argument, Webster cited a study that found that

> people consider bank embezzlements more serious than many thefts and burglaries; a bribe of $10,000 to a legislator more serious than a $100,000 bank burglary; and, a retail price-fixing scheme more serious than a robbery where an armed subject intimidated a victim and took $1,000. (Beckett, 1997, p. 52)

Strangely, one month later Webster argued differently. He announced that the FBI would shift its' crime focus to drugs, traditionally a shared province of federal and local authorities. Webster tied street crime to drugs by asserting that "when we attack the drug problem head on…we are going to make a major dent in street crime" (Pear, 1980, p. A1). Thus, the Reagan administration had successfully pressured federal law enforcement agencies to shift their focus away from white-collar crime to street crime. The administration had redefined drugs and street crime as one and the same. In this fashion, the federal government assumed province over street crime because of this vague connection with drug usage.

This new focus essentially accomplished two things. First street crime was redefined as being the most threatening and dangerous problem facing the American public. Second white-collar crime was defined down as not being a danger to the public and, therefore, not requiring the resources as street crime. This occurred despite the fact that:

1. White-collar crime is more costly; it takes far more dollars from our

pockets than all the FBI index crimes combined.

2. White-collar crimes are widespread, probably more so than the crime of the poor.

3. White-collar criminals are rarely arrested and charged; the system has developed kindlier ways of dealing with the more delicate sensibilities of its higher-class clientele.

4. When White-collar criminals are prosecuted and convicted, their sentences are every light when judged by the cost their crimes have imposed on society (Reiman, 1998, p. 111).

It is methodologically difficult to assess with any precision the full extent of white-collar crime. We do know, however, that the direct economic losses from all forms of white-collar crime are immense and dwarf those of conventional crime. In the mid-1970s it was estimated that annual losses in the United States due to conventional property crime (robbery, theft, larceny, and auto theft) generated losses of no more than $4 billion, whereas economic losses due to white-collar offenses (i.e. consumer fraud, illegal competition, and deceptive practices) totaled at least $40 billion (Friedrichs, 1996, p. 55). Though the scope of this paper does not permit a detailed review, a number of additional studies have documented the seriousness and extent of white-collar crime (see, for example, Clinard & Yeager, *Corporate Crime,* 1990; and *The NASA Survey of Fraud and Abuse in the Financial Planning Industry-Report to the U.S. Subcommittee on Consumer Affairs, Committee on Banking, Housing and Urban Affairs,* July, 1988 by the North American Securities

Administrators Administration).

A War of Disproportionate Resources

In any war one would expect that there would be resources available to support the front-line troops. In this case, the front-line forces are the police. These are the forces that capture offenders in the first place so that, in Ronald Reagan's words, "retribution should be swift and sure for those who prey on the innocent" (Kirshchten, 1981, p. 1774).

Essentially Reagan was making a front-end argument in which resources are dedicated to capturing offenders so that retribution could be "sure." The concept involved is called "certainty of punishment" in which crime is deterred because the offenders have a realistic fear that they will be caught and punished. By examining public budgets over time, we can examine the government's commitment to this policy more closely.

As political documents, public budgets can tell us a great deal about the seriousness of a policy commitment by examining the resources devoted to that commitment. In other words, was there a real effort at crime reduction or was the commitment merely symbolic? Examining the federal budget over the years indicates something less a sincere commitment to the goal of pubic safety. Table 23 indicates where the support went in the criminal justice system to finance this war on crime for the years 1982 through 1996.

As shown in the table, police and corrections spending have gone in opposite

Table 23

State and Local Expenditures for Police Protection and Corrections
as a Percent of Total Spending and as a Percent of GDP
for 1980-81 to 1995-96

	Percent of Budget	Percent of GDP
Police		
1980-81	3.7%	0.5%
1995-96	2.0	0.3
Change 96/81	(1.7)	(0.2)
Percent Change	(46.1)%	(42.2)%
Corrections		
1980-81	1.8%	0.3%
1995-96	3.2	0.5
Change 96/81	1.4	0.2
Percent Change	76.0%	88.0%

Source: Author's analysis of data from U.S. Bureau of the Census, Governmental Finances in 1980-81, Table 3, and 1995-96, Table 4, U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review and Handbook of Labor Statistics*, periodic; and U.S. Bureau of Economic Analysis, *National Income and Product Accounts of the United States, 1929-1994*, Table 1.1, and *Survey of Current Business*, May 1997.

directions. Police spending as a percent of total budget outlays for state and local governments has declined from 3 percent of the total in fiscal 1980-81 to 2 percent in fiscal 1995-96, a decrease of 1.7 percentage points or 46.1 percent. Conversely, spending for corrections went from 1.8 percent in 1980-81 to 3.2 percent in 1995-96--an increase of 1.4 percentage points or 76 percent.

As a percent of GDP, police outlays have declined by 42.2 percent, going from 0.5 percent in 1980-81 to 0.3 percent in 1995-96. Corrections spending over the same period increased by 88 percent, going from 0.3 percent to 0.5 percent. The ratio of police to corrections spending similarly declined, going from $2.10 spent for police for every dollar spent for corrections in 1981 to $1.31 in fiscal 1996—a drop of $.79 cents or 38 percent. Budgets do indeed tell the tale and the state and local budgets portray a woeful neglect for public safety through neglect of the front end of the criminal justice system while generously funding the back end.

The story of adequate police protection, however, does not stop with aggregate funding levels. One recent study, for example, looked at the annual shifts in the number of police personnel nationally from 1953 to 1991, and compares them with index crimes[1] within individual communities. Studying changes in federal, state, and local law enforcement personnel per 100,000 population, the study found that the main predictor of police strength was the capacity to support them--regardless of the crime rate (Jacobs & Helms, 1997, pp. 1374). Considering the fiscal crisis that many of the nation's large central cities have been facing since the early 1970s, this result should have been expected. Generally, our larger central cities have incurred higher crime rates than have other areas of the nation. Given the fiscal strain on many of our larger cities, however, they have had the most difficulty maintaining police strength. Ironically, one of the primary intergovernmental sources

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[1] Index crimes are reported annually by the FBI's Uniform Crime Report and consist of Violent crimes such as murder, rape and assault, and Property crimes such as robbery, motor vehicle theft, fraud and larceny.

of revenue for cities was Federal General Revenue Sharing (GRS)--a program that the Reagan administration eliminated in 1986. Many cities used GRS to hire more police or at least maintain their police strength.[2]

The point is, however, that the rate of crime has little to do with police strength. If government were sincere about the objective of crime control there would be some financial assistance to hire more police in our central cities. The Clinton administration did make an effort to get 100,000 additional police on the streets but the funds were only temporary. The program was more of a symbolic gesture than a substantive measure to control crime.

The imbalance of funding for police protection, especially in cities, has had a predictable result. Table 24 looks at index crime known to the police that were cleared by arrest for the periods 1970-79, 1980-89, and 1990-97. Police performance in solving crime, at least as far as index crime has decreased in cities from the 1960s and remained about the same for property offenses. The number of violent crime arrests in cities has gone down in 1990-97 by 2.0 percentage points in 1990-97 from 1970-79 and 0.5 percentage points from 1980-89. For property crimes committed in cities the amount cleared by arrest has hardly changed, increasing just 0.1 percentage points in 1990-97 from 1970-79, and rising by 0.4 percentage points in 1990-97 from 1980-89.

For suburban America, the number of violent crime arrests over the period

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[2] The Author conducted a survey of Michigan cities in 1986 and found that larger cities (250,000 and above) used approximately 75 percent of GRS on police hiring.

Table 24

Crimes Known to Police Cleared by Arrest
1970-79 to 1990-97

	Cities		Suburbs	
Period	Violent	Property	Violent	Property
1970-79	45.6%	17.9%	50.4%	16.7%
1980-89	44.1	17.6	51.3	18.0
1990-97	43.6	18.0	52.0	18.6
Change 1990-97/1980-89	(0.5)	0.4	0.7	0.6
Change 1990-97/1970-79	(2.0)	0.1	1.6	1.9

Source: U.S. Department of Justice, Bureau of Criminal Justice Statistics, *Sourcebook on Criminal Justice Statistics,* Table 4.21, p. 357.

has also risen insignificantly, but more than in cities. Arrests for violent crime rose 1.6 percentage points and 0.7 percentage points from 1980-89. Property crime in the suburbs went from 16.7 percent in 1970-79 to 18.6 percent in 1990-97, or 1.9 percentage points. The rise from 1980-89 was 0.6 percentage points.

The build up of resources going to corrections and the judicial/legal function of criminal justice has not only permitted the imprisonment of a great number of violent offenders, but more importantly, an even greater number of nonviolent offenders. Nonviolent offenders, in fact, have become the leading source of new prisoners in federal and state institutions.

Table 25 looks at the trend in the number of violent versus nonviolent offenders in federal and state prisons from 1979 through 1996. As shown in the Table, in 1979 there were 162,800 violent offenders and 118,400 nonviolent, for a

Table 25

Violent and Nonviolent Prisoners 1979-1995

Year	Violent	Nonviolent	Ratio V/NV
1979	162,800	118,400	1.37
1995	394,500	433,900	0.91
Pct. Change	142.3%	266.5%	(33.6)%

Source: U.S. Department of Justice, Bureau of Justice Statistics, *Prisoners in 1993* and *Prisoners in 1996.*

ratio of 1.37 violent offenders for every nonviolent offender. By 1996 the ratio had declined by nearly 34 percent--to .91--as the number of violent prisoners were outnumbered by 433,900 to 394,500.

A policy that feigns to combat violence by locking up more nonviolent offenders is equivalent to perpetrating a fraud on the public that pays for the policy. They are not getting what was advertised. The scam can be compared with the classic "bait and switch" marketing ploy that is so much loathed by consumers. The customers are baited into a store by an advertisement for an item that is selling for a low price. Once in the store, the salesperson switches the customer to a higher-priced product that the scheme was designed to promote. In the criminal justice system the bait is citizen fear of violent crime. The switch occurs when politicians fight crime by building more prisons and then fill them with nonviolent offenders (Donziger, 1996, pp. 19-20).

The criminal justice system has become obsessed with drug offenders at the expense of index crimes of violence and burglary. Between 1982 and 1997, the number of offenders admitted to federal prisons swelled by 439.6 percent while state prisons increased 203 percent. The total federal and state prison population increased by 850,180, or 215.6 percent. The number of prisoners for each 100,000 U.S. residents went from 171 in 1982 to 410 in 1997, or 139.8 percent.

The number of people imprisoned to fight the drug war, however, increased by 268,013, going from 26,781 in 1982 to 294,794 in 1997--up over 1,000 percent. The percentage incarcerated in federal and state prisons for drug offenses increased by 16.9 percentage points, from 6.8 percent in 1982 to 23.7 percent in 1997 (see Table 26).

To further illustrate the dimensions of the strategy of imprisonment at the expense of crime control, Table 27 looks at the percentages of convictions resulting in a prison sentence or probation or fine from 1980 to 1996. The data reflect that the criminal justice system has become much harsher on offenders at the sentencing stage, going from 36.6 percent of the dispositions resulting in prison time in 1982 to 60.5 percent in 1996. Stated differently, the probability of serving a prison sentence increased by nearly 60 percent from 1980. The use of probation has fallen by 10.8 percentage points over the period, going from 30.3 percent in 1980 to 19.5 percent in 1996.

The number sentenced to a fine and/or another sanction such as home confinement is likewise down. Reflecting the increased funding in the judicial/legal function, a lesser percentage of those not convicted have fallen also, from 21.8

Table 26

Federal and State Prison Populations, Rates per 100,000 Residents, and Number and Percent of Drug Offenders in 1982–1997

December 31	Federal	State	Total	Per 100,000 Residents	Drug Offenders	Percent Drug Offenders
1982	20,938	373,436	394,374	171	26,781	6.8%
1997	112,973	1,131,581	1,244,544	410	294,794	23.7
Number Increase	92,035	758,145	850,180	239	268,013	16.9

Source: Data derived from U.S. Department of Justice, Bureau of Criminal Justice Statistics, *Sourcebook for Criminal Justice Statistics, 1997,* Tables 6.17, 6.21, 6.52,and *Prisoners in 1997*.

Table 27

U.S. District Court Disposition of Criminal Cases
1980 Compared With 1996

Disposition	1980	1996	Difference
Prison	36.0%	60.5%	24.5%
Probation	30.3	19.5	(10.8)
Fine/Other	11.9	4.9	(7.0)
Not Convicted	21.8	15.1	(6.7)

Source: Author's analysis from data in Tables 366 and 367,Administrative Offices of the U.S. Court System, *Statistical Tables for the Federal Judiciary*, Annual.

percent in 1980 to 15.1 percent in 1996.

CHAPTER V

WHOSE AGENDA? THE PURPOSES OF IMPRISONMENT, EXAGGERATED CRIME RATES, AND PUBLIC OPINION

The Purposes of Imprisonment

Given the present imbalance in criminal justice funding, there must be something different than controlling crime that prison is supposed to accomplish for public safety. If prisons cannot ameliorate crime rates then the goal of public safety that has been advertised to the public cannot be the goal of criminal justice. Has the goal been changed? Otherwise, why have so few resources been dedicated to the front-end of the system compared with the resources dedicated to the back end? It is at the front-end where of the system that the hope of increased apprehension of offenders and crime prevention programs predominate.

The answer requires an examination of the foundations of imprisonment. If there is a sound rationale for the disproportionate funding of criminal justice, it might be found when we examine the purposes of imprisonment, that is, the relative merits of rehabilitation, punishment, and incapacitation. The issue is that of the effectiveness of correctional treatment (Gottfredson, 1984, p 26). While there is general agreement on the need for prison as a punishment, there are strong disagreements on how extensively prison should be used (Blumstein, 1984, p. 23). At one extreme are those who view prison as a last resort, to be used only for the most violent or incorrigible offenders. At the other extreme are those who believe that prison is appropriate in most cases. If you do the crime, you do the time. Both groups recognize that prisons serve two broad purposes: One is punishment; the other is controlling crime. Any substantial changes regarding the use of imprisonment must accommodate both purposes, although the concern here is with crime control.

Prisons work in three distinct ways to control crime: (1) *General Deterrence*--imposing punishment induces people to be law-abiding, (2) *Rehabilitation*--teaching offenders behaviors during their confinement increases the possibility that they will remain law-abiding once released, and (3) *Incapacitation*--removing offenders from the community prevents them from committing crimes against the general public.

The idea behind deterrence is that people will be less inclined to break the law if they believe they will be punished for it. Successful deterrence therefore depends on certainty of punishment. But, as we have seen, current resource commitments emphasize imprisonment as the primary method of deterrence. Sentences are getting longer while probation and parole are being de-emphasized. Policymakers along with many judges no longer believe that other approaches such as social programs and rehabilitation are effective (Currie, 1985).

Studies on deterrence have been contradictory, largely because of the difficulty in establishing a statistically significant association between crime and sanction levels. One body of research upholds the notion of deterrence somewhat, but there is uncertainty whether higher sanctions are responsible. The possibility exists that higher crime rates in other jurisdictions inhibit the imposition of sanctions by saturating available resources and inuring judges to comparatively minor offenses (Blumstein, 1984, p. 12).

Another body of work finds no relationship between crime rates and severity of punishment. For example, in 1977 the Michigan Legislature passed the "felony firearm" law that mandated an extra two years in prison for criminals using guns in the commission of a crime. The Wayne County prosecutor mounted a vigorous campaign featuring bumper stickers and billboards warning, "one with a gun gets two." At least one analysis of the statute suggested that it had no effect on the use of gums in committing crime (Loftin & McDowall, 1981, p. 18).

The Michigan study, and others similar to it underscores the logic of deterrence, that is, without certainty of punishment stiffer sanctions have little meaning. In reality, there is a tremendous amount of "slippage" between the commission of a crime and punishment, with the bulk of this slippage occurring at the front end of the criminal justice system, that is, catching and convicting criminals.

This is illustrated in Table 28, which shows the flow through the criminal justice system nationally for 1996. In that year there were 541,000 felony crimes reported (FCR). Of that number, 15.1 percent of FCR resulted in arrests; 9.9 percent of FCR went to trial; 7.8 percent of FCR resulted in convictions; 3.7 percent of FCR convictions were granted probation; and 3.6 percent of FCR went to prison or jail. Thus, of the 541,000 felony crimes reported, only 15.6 thousand--or 2.9 percent--resulted in a prison sentence. Moreover, these percentages are considerably lower

Table 28

Michigan Criminal Justice System
Felony Case Flow: 1989

All Crime	?	?
Felony (Index) Crime Reported (FCR)	541,210	---%
FCR Cleared by Arrest	81,647	15.1
Circuit Court Filings	53,619	9.9
Felony Convictions	42,155	7.8
Felony Sentences:		
Probation	20,137	3.7
Jail	3,536	0.7
Prison	15,651	2.9

Source: Data provided by Michigan Council on Crime and Delinquency.

after considering the large numbers of crimes that were unreported.

For deterrence to be meaningful, there must be greater certainty of apprehension and conviction. Increases in general deterrence can be expected only when the criminal justice system improves the ability to catch and capture offenders in the first place, not by levying even harsher approaches on those who have arrived at the sentencing stage (Currie, 1985, p. 38).

Can there be effective deterrence when the same prisoners are recycled through the corrections system? As an indication that the criminal justice system relies heavily on recycling offenders already caught in the system, Table 29 shows the movement of federal prisoners from January 1, 1995 to December 31, 1995. As

Table 29

Flow of Offenders in State and Federal Prisons
January 1, 1995 – December 31, 1995

Prisoners on January 1	1,017,561
New Commitments	361,464
Other Commitments	22,609
Conditional and Unconditional Releases	(463,284)
Other Releases and Escapes	(29,294)
Population Before Parole and other Release Violators	909,076
Parole and Other Release Violators	178,641
Population on December 31	1,087,717
Increase (Decrease) without Parole and Other Release Violators	(108,485)
Increase (decrease) with Parole and Other Release Violators	70,156

Source: Author's analysis of data in U.S. Department of Justice, Bureau of Criminal Justice Statistics, *Sourcebook of Criminal Justice Statistics,* 1997, Table 6.42, pp. 496-497.

demonstrated by the table, the total inmate population, before accounting for parole and probation violators, decreased by 108,485. Nevertheless, after including these violators, the prison population increased by 70,156.

Given numbers such as these, the case for deterrence appears weak. In 1992, for example, the prestigious National Research Council of the National Academy of Science issued a report that asked,

> What effect has increasing the prison population had on the levels of violent crime? Apparently very little...if tripling the average length of sentence of incarceration per crime (between 1976 and 1989) had a strong preventative

> effect, then violent crime rates should have declined. (*Stiff terms fail to curb violence, panel says*, 1994, November 13, pp. A-3 & A-17)

A 1994 study by the Federal Judicial Center arrived at the same conclusion (Vincent & Hofer, 1994, pp. 11-12).

At first look, the case for incapacitation is stronger than for deterrence. Logically, taking criminals off the streets will at least keep them from committing more crimes for as long as they are incapacitated (Currie, 1998, p. 61). Despite whatever incapacitation effects may exist, however, there are several arguments that such effects are limited and would require vastly increased commitments of public resources to achieve meaningful results:

1. Unless deterrence is also effective, locking up offenders will not materially reduce crime because others will commit crimes in their place. For example, incapacitating a drug dealer operating in a lucrative market will likely result in the territory being taken over by another person. As long as the causes of the criminal behavior are left undisturbed, there is bound to be a "replacement" effect.

2. "Gangs' or other organized groups commit a large percentage of crime. The arrest of one or several members will not appreciably alter the group's rate of criminal activity.

3. A growing body of evidence reveals a disproportionate amount of crime is committed by a relatively small fraction of the criminal population; that is the rate of criminality is highly concentrated in a small proportion of the criminal population (Wolfgang, Figlio, & Sellin, 1972, pp. 28-29).

Though incapacitating offenders prevents some crime, the amount of resources necessary to achieve meaningful crime control effects by incapacitating any large majority of those convicted would be at least several times larger than current efforts. During the 1970s and 1980s, a number of studies attempted to calculate the potential incapacitation effect of large increases in imprisonment. The results were not encouraging. A typical estimate was that doubling the prison population might reduce serious crimes by 10 percent, somewhat more for burglaries and robberies, and less for homicide and rape. The incarceration rate has risen much more than anyone imagined--but there has been no decrease in the overall level of violence (Currie, 1998, p. 29).

As for the current reductions in crime rates, changing demographics can explain at least part of it. In 1989, for example, this writer predicted declining crime rates through at least the year 2000 because of decreases in the crime age population--18-24 year-olds (Gregory, 1991, pp. 25-26). The forecast was just one of many similar forecasts predicting falling crime rates until we begin seeing another larger demographic wave of primarily 18 –24 year olds. A good economy over the past nine years explains another part of the decreasing crime rates. Crime rates always go down during periods of growing employment.

A fundamental point emerges consistently from a growing body of research on incapacitation: The potential reduction in serious crime is disturbingly small, especially when balanced against the social and economic costs of pursuing this strategy strenuously enough to make much difference to public safety (Currie, 1998, p. 64).

Rehabilitation also shows limited potential to control crime. It is not, however, that it has not worked but rather that it has not been truly tried. For over 80 years, until the mid-1970s, sentencing policy in the United States was founded on rehabilitation. The sentencing scheme utilized was ”indeterminate” sentencing in which there was a wide spread between minimum and maximum sentences, with the minimum often being zero. Maximum flexibility was desired so that the system could work to rehabilitate an offender for as long as necessary and release the offender as soon as he or she was ready.

The move away from indeterminate sentencing patterns toward less flexible determinate sentencing was accompanied by several studies evaluating the effectiveness of rehabilitation in reducing recidivism. The general conclusion was that the various treatments had little discernable effect on recidivism. There were two problems with these studies, however. One problem was the accuracy of the studies, given their methodologies, and the other in how to properly measure recidivism.

In 1974, a wide-ranging debate regarding the effectiveness of rehabilitation was launched by Robert Martinson's assertion that nothing or almost nothing works (1974, pp. 22-54). Martinson concluded from the evidence that “nothing works,” which was immediately seized by our get-tough politicians. They used it to criticize the emphasis on rehabilitation and promote the deterrent and incapacitative potential of prisons. The politicians conveniently ignored Martinson's subsequent repudiations, once in 1976 and again in 1977, of his main finding that nothing or almost nothing works (Martinson & Wilks, 1977, pp. 23-29). To demonstrate how certain politicians distort the truth to make their case, a former Reagan Administration official and researcher with the Republican Party, Lawrence Mead, was quoting the original Martinson article as late as 1986--ten years after Martinson repudiated it (Mead, 1986, p. 191). Unfortunately, this deliberate attempt to manipulate the public continues even today as politicians seek to legitimate their policies.

The problem with his original study was his evaluation of individual programs rather than groups of programs. In 1979, the National Academy of Sciences (NAS) examined the various studies in rehabilitation and concluded:

1. A few approaches may perhaps be working for some subgroups within the total target group; however, the quality and especially the quantity of evidence do not allow for definite conclusions regarding the subgroup success of these approaches.

2. Though no specific approaches have been proven to work, neither have they been disproved; instead, it is simply unclear which approaches have and have not been given a fair trial.

3. Many programs might have proven effective if they had been better implemented, and had been operated more intensively.

The second problem with the recidivism studies relates to the definition of recidivism. Most studies of recidivism measure its success or failure according to whether or not the person was arrested for a new offense, or had his parole revoked after leaving prison or completing a therapeutic program. Success was an either or proposition: the prisoner who did not get in trouble within the stated time period was a success; the prisoner who got in trouble--even once--was a failure. The researchers used the term "rates" when referring to recidivism but they were misapplying the term. Indeed, most researchers misapplied the term *rates* in their research on recidivism. They should have used "percent" pass or fail in the all or nothing-at-all approach to recidivism.

In what may be a surprise to many liberal thinkers, it was Charles Murray, along with Louis Cox, who applied the term "rates" appropriately. Murray, author of Losing Ground, a conservative critique of the welfare system, and Cox used *rate* in the sense of frequency to calculate how many arrests per month were charged against a given group of delinquents before and after being exposed to Chicago juvenile treatment program. They also calculated the frequency rates separately for each kind of program involved (Wilson, 1995, p. 389).

They were able to show that under the conventional approach, a discouraging 82 percent of the juveniles were rearrested. But the frequency with which they were arrested during the follow-up period fell dramatically. The monthly arrest rate (i.e., arrests per month per 100 boys) declined by about two-thirds. To be precise, the members of this hard-core group of delinquents were arrested 6.3 times each during the year before being sent away but only 2.9 times each during the 17 months on the street after their release (Wilson, 1995, p. 389).

Though the study underwent the normal amount of criticism for other reasons, using rates instead of percentages did not. Empey and Erickson in Utah emulated this approach. However, they assigned the delinquents randomly to a treatment or control group, which the Murray/Cox study did not. In this respect, the study was a much better test of rehabilitation. The study concluded that there were substantial reductions in arrest rates that cannot be explained by maturation or social class differences for all boys.

Interestingly, however, both the political left and right generally supported the move to a more determinate sentencing structure. The right was concerned with applying harsher punishments professedly to control crime. The left was concerned with disparities among Blacks and Whites in sentencing patterns for similar offenses. Black offenders were being treated more harshly than their White counterparts. Both the political right and left, therefore, abandoned rehabilitation as a justification for imprisonment. Sentences thus became longer and there would be no release from the sentence for either good behavior or rehabilitation of the offender. In the federal system, for example, a sentenced offender must serve at least 85 percent of the sentence.

James Q. Wilson, one of the most eminent scholars behind the get-tough movement, in his classic 1975 book, Thinking About Crime wrote:

> If we try to improve on deterrence by sharply increasing the severity of sentences, and we are wrong, then we may spend a great deal of money and unnecessarily blight the lives of offenders who could safely be punished for much shorter periods of time. Reaching a sound judgement about how severe punishments should be is a much more difficult matter than deciding how certain they should be; indeed, one cannot reach such judgement at all on purely empirical grounds. (1975, p. 168)

Wilson was more interested in certainty of punishment rather than severity, believing that the former offered greater possibilities for deterring crime. Interestingly, he became the chief guru of the get-tough approach. He also was disturbed by the absence of empirical research on imprisonment as a deterrent. Wilson also favored a selective incapacitation approach which reserves longer periods behind bars for high-rate, dangerous offenders. The notion of a blanket approach to imprisonment for a wide range of offenders was, in Wilson's view, not only costly but was wrong.

Using false or faulty data to advance a notion that benefits the messenger poses a real danger to our democratic system of government using either false or faulty data, by exaggerating the extent of a social or economic problem, serves to fertilize the soil of public opinion and, in time, reaps a harvest of broad new governmental powers. Confused citizens become susceptible to government suggestions to give up rights and incomes for the states promise to "do something" about the "crisis" (Shumpeter, 1947, p. 50; see also D. Gordon, 1995). In this case, we abandoned rehabilitation as a foundation for imprisonment as punishment--apparently for the sake of punishment.

Crime Rates and Public Policy

For deterrence to be meaningful, there must be greater certainty of apprehension and conviction. Increases in general deterrence can be expected only when the criminal justice system improves the ability to catch and capture offenders in the first place, not by levying even harsher approaches on those who have arrived at the sentencing stage (Currie, 1998, p. 38).

If the expanded use of imprisonment has only limited value in controlling crime, the articulation of a credible rationale for current policy becomes considerably more difficult. Indeed, one of the forces leading to increased use of imprisonment was the perception of an escalating rate of crime. For nearly three decades, opinion polls repeatedly have shown that American citizens perceive themselves threatened by the possibility of robbery, burglary, assault, and other personally invasive and intolerable crimes (Gibbons, 1988, p. 31).

The belief is widespread that a "crime wave" has engulfed the United States. Tied to this perception have been increasingly frequent suggestions that prisons, as the appropriate method of controlling crime, reflect the public's desire for the criminal justice system to "get tough" with offenders (Cullen, Clark, & Wozniak, 1985, p. 18).

How much of this is true and how much of this has been political deception? Measuring crime and its incidence is a murky and often controversial area. Because crime is so difficult to observe, it lends itself to alternative methods of measurement. Two sources of crime data are most often employed: (1) the Uniform Crime Reporting (UCR) system, and (2) the National Crime Survey (NCS).

The UCR, the older of the two, is the more popular measure in that it is more commonly used and is the one referred to in media reports of crime trends (Clark, 1984, p. 17). The UCR is managed by the FBI and relies on reports from local police agencies concerning the number and type of crimes reported to local police. The

NCS reports, conducted annually by the Department of Justice, were developed to attempt to correct the shortcomings of the UCRs. The survey samples households across the United States as to whether they have been victimized by crime during the previous year. Because the NCS deals with both reported and unreported crimes and also a wider range of crimes than the UCR, it indicates higher levels of crime.

The UCR is criticized for its reliance solely on the amount of crime reported and on how well the local police agencies assemble the data. Most criminologists, for example, consider the UCR figures inaccurate because they tend to exaggerate increases in crime--a fact that is at least partially responsible for the misperception that crime is rising. The UCRs overestimates the number of crimes for several reasons. First, computers have led to marked improvements in police reporting of crime. Therefore the increases in crimes reported are often the result of improved record keeping rather than actual increases in criminal activity.

In 1973, for example, citizens reported 861,000 aggravated assaults to police, but only 421,000 were recorded. In 1988, citizens reported 940,000 aggravated assaults to police and the police recorded 910,000. The number of aggravated assaults did not go up much between 1973 and 1988 but recording improved dramatically (Reiss & Roth, 1993, p. 414). The same pattern holds true for other serious crimes such as robbery and rape.

Second, the UCR misleads because of the manner in which many police departments tabulate their statistics. In many police departments, counting the number of people arrested in the assault rather than counting only the assault can turn one assault into two or more depending on the number of people arrested. This practice is especially important in juvenile crime because juveniles are often arrested in groups.

A third problem, at least early on, was that not every police department reported. Thus, for a number of years the increases reported by the UCR was more a function of the number of local agencies reporting. From 1971 through 1983, for example, when many of the key decisions were made concerning the increased use of imprisonment as the primary method of controlling crime, there was a 47 percent increase in the number of agencies reporting on the UCRs (Clark, 1984, p. 6).

The UCRs, therefore, have in the past been unreliable in tracking trends because of improved record keeping, a lack of uniformity in reporting crimes, and an early failure by some jurisdictions to report the data. The NCS reports are, accordingly, considered more reliable than the UCR in revealing trends in crime.

It should thus have been foreseen that the UCR would, as it did, indicate that crime was on the rise (Gregory, 1991, pp. 22-23). In contrast, the NCS showed that crime rates were relatively stable during the late 1970s and early 1980s and declining thereafter. This would seem to suggest that the public's perception of being enveloped in a wave of crime was more myth than reality. Again, however, this should not be interpreted as a claim that crime is not a social problem. It very much is, especially for those victimized by crime. This indicates only that government exaggerated the amount of crime and therefore its depiction as a crisis. Our criminal justice professionals and a number of politicians seeking to appear as get-tough leaders, however, knew this, or at least should have known it.

Public Demands for Harsher Treatment

If increasing crime rates were more myth than reality, the only other source for the move to a more punitive posture would be public opinion. There is growing evidence, however, that the portrayal of a public demanding that all criminals be locked up was somewhat misleading (Skovron, Scott, & Cullen, 1988). Though there is little doubt that public sentiment has become more punitive toward offenders, the mood of the public in regard to correctional reform in diverse, multidimensional, and complex (Flanagan & Caulfield, 1984, p. 37). The public favors a mixed model in terms of sentencing purposes. It strongly endorses the notion of proportionality, and just deserts sentencing, but the public also believes that crime prevention and rehabilitation of offenders is important.

A number of surveys conducted over the years seem to indicate increasing harshness by the public. For example, a poll published in 1997 asked the question "in general, do you think that the courts in this area deal too harshly, or not harshly enough with criminals?" Seventy-eight percent of the public answered not harshly enough (Sourcebook on Criminal Justice Statistics, 1997, Table 2.50, pp. 134-135). Similar results from such polls have been traced as far back as 1982.

However, when asked how they view the various alternatives to prison such as probation, week-end jail sentences or house arrest, the public rated them either very effective or somewhat effective by margins ranging from 44 percent to well over

70 percent. If alternatives such as restitution are included, an important result emerges: There is a significant decline in support for imprisonment. This result has been demonstrated in a growing number of studies.

In one study, for example, people were asked to choose the most appropriate penalty for a first offender convicted of burglary. They were given a choice of one of four sentences: Prison, a fine, a period of probation, or a fine plus probation. One-third of the respondents selected the prison option. Then they were asked:

> How, instead of (answer selected in the previous question) would you be in favor of having the offender be ordered by the court to do a certain number of hours of work beneficial to the community or the victim. Given this as option, almost half of the respondents who had selected prison as the appropriate sentence stated that they would be in favor of the restitution based sanction in "all or most cases." (Roberts & Stalans, 1997, pp. 213-214)

The Gallup Report Poll (number 285 of 1989) asked whether more money and effort should go toward attacking social problems to deter crime or whether it should go toward more law enforcement and prisons. Nationally, the public chose attacking social problems (61 percent) over improving law enforcement (32 percent) with more prisons, police, and judges. Other studies indicate that legislators vastly overestimate the degree to which citizens favor harsh policies, and that the public considers community corrections to be an important correctional option (Skovron et al., 1988).

Questions such as the one above (Are sentences too harsh, about right, or not harsh enough?") serve to distort public opinion. From the response to this question, however, many politicians have been quick to adopt harsher sentences. But the interpretation of this type of poll fails to consider three additional findings from more in-depth polls. First, when answering a question like this, most respondents automatically think of violent offenders who have criminal histories. Second, the public has little idea of the actual severity of sentencing practices. Most people actually underestimate the length of sentences for crimes, especially those for nonviolent offenses. Finally, this question fails to consider limited public awareness of punishments, other than prison, that are often more effective at preventing crime and less costly to the taxpayer (Donziger, 1996, pp. 59-60).

While there is scant evidence that the public drove political officials into the war on crime, there is substantial evidence that the opposite was true-—that issue-seeking politicians manipulated the public into this strange and expensive war. For example, it is alleged that pubic opinion played a crucial part in legitimizing the expansion and intensification of the drug war. This argument points out that Reagan "harnessed a preexisting momentum for a crackdown on drugs" (Wisotsky, 1983, p. 890). The evidence is to the contrary: public opinion polls show that public concern about drugs did not increase prior to the Reagan administration's declaration of war in 1982 (Beckett, 1997, p. 55).

As of 1982, for example, only three percent of the public believed that cutting the drug supply was the most important thing that could be done to reduce crime, while 22 percent believed that reducing unemployment would be more effective. Moreover, the percentage of poll respondents identifying drug abuse as the nation's most important problem dropped from 20 percent in 1973 to two percent in 1974 and hovered between zero percent and two percent until 1982 (Gallup, 1990, p. 3).

The government went on a media blitz. Robert Stutman, Director of the Drug Enforcement Administration's New York office, wrote in his 1992 book, Dead on Delivery: Inside the Drug Wars, that he was urged to embark on a media campaign in October of 1985. He wrote:

> In order to convince Washington, I needed to make it (drugs) a national issue and quickly. I began a lobbying effort and I used the media. The media were only too willing to cooperate, because as far as the New York media was concerned, crack was the hottest combat reporting story to come along since the end of the Vietnam War (p. 148).

The number of drug stories appearing in the New York Times went from 43 in the latter half of 1985 to 92 and 220 in the first and second halves of 1986 respectively (Beckett, 1997, p. 56). In addition, the administration stepped up its anti-drug campaign. The administration and other government sources propagated a great deal of anti-drug "information." Presidential speeches on the subject fueled further publicity. On August 4, 1986, in the first of these speeches, Reagan sounded the theme: "drugs users can no longer excuse themselves by blaming society. As individuals, they are responsible. The rest of us must be clear that we will no longer tolerate drug use by anyone" (Reagan, 1987, p. 1263).

Democrats in the House of Representatives, fearful of both the media attention and not receiving credit for the anti-drug effort, began drafting legislation to increase spending. Even more media coverage followed this event. While less than one percent of all news coverage focused on drugs in the early 1980s, the percentage increased to 3.2 percent in July 1986 and to 6 percent in the two-week period ending August 10, 1986 (Merriam, 1989, p. 56).

Politicians who place responsibility for the drug war on public demand are being deceptive and obscuring what really happened. This was a classic example of political leaders using the media to create the public opinion they desired. According to a New York Times/CBS News poll taken in April 1986, only three percent of those polled identified drugs as their major concern. By late August--after the publicity surrounding activity by President Reagan and Congress on the issue, the New York Times/CBS News poll showed that the number of Americans identifying drugs as the most important national problem increased to 13 percent. Thus, by the time that legislation was created, debated, and signed into law, our political leaders had achieved the response they wanted. Virtually no politician wanted to be on the wrong side of this largely fabricated ground swell of "public demand."

The concept of a strong and informed public opinion has always been central to theories of democratic government. Democracy needs channels for the formation and expression of the public will. Certainly, there is no country that studies public opinion as much as the United States. But, it is the holders of power that shape public opinion by using the media as their agents. David Gergen, a spin doctor for Presidents Reagan through Clinton, says that it was under Nixon that the formula for marketing policies made its mark.

Gergen called spin doctoring a "systematic program of propaganda" (Altschull, 1995, p. 155). It is both to hide political reality by talking about it and to give the public distorted news and intentions, knowing clearly beforehand what conclusions the public will draw from them (Altschull, p. 155). Through this type of propaganda, issue-seeking politicians "manufactured" the consent of the governed.

One can begin to penetrate truth versus myth concerning government's shift to a vastly expanded use of imprisonment as a policy. We know several things. It was not a case of rising crime rate, for crime rates have not increased but declined. It is not a case of demographics, for demographics would dictate declining rates of crime. It is not a case of a well-defined prison policy for the empirical evidence does not define one. Finally, it is not a case of public demand for punishment, for public sentiment appears open to alternatives that are effective and would serve the purpose of controlling crime. Rather, it is a case of government manipulating the public, as in the Willie Horton example, by using the media as its agent to achieve a purpose other than crime control.

CHAPTER VI

THE REAL AGENDA: BLACKS, THE EXCESS LABOR FORCE, AND THE REST OF US

The Real Purpose of the Wars on Drugs and Crime

The real purpose of the wars on drugs and crime appears to be to divert public attention away from the economic issues. The insecurities that the public has been experiencing from the early 1970s, as described in Chapter III, parallel the insecurities experienced in the Great Depression. During the 1930s, however, there was a severe, rapid, and highly visible decline in economic production, employment, and living standards. By contrast, the current economic period has witnessed a gradual deterioration, with living standards and employment conditions deteriorating almost imperceptibly over an even longer period than the depression. Because of the less visible nature of our economic deterioration, the sense of alarm necessary to evoke an aggressive public policy response has been absent. Thus, this nation is confronting an economic phenomenon unlike any other it has ever faced--a silent depression (Kobrak & Gregory, 1993).

Interestingly, the ordinary citizen has been able to perceive the reality of this current period more than have policy makers, as indicated by the low level of interest and participation in the political process. The public can sense what most politicians officially deny--that the spoils of the political game go to the monied interests. What else would explain the public sector accommodation of a several decade decline in our working class? The current economy is characterized by declining real income for at least 60 percent of the workforce, an excess labor force, a shrinking middle-class, rising poverty, and growing economic inequality.

As economic insecurity continued to grow, the end of welfare capitalism became apparent. Employees were no longer as necessary to employers and the term "excess" labor force came into being. During 1979-1989, for example, most standard measures of the economy indicated that it was thriving. The "excess" labor force, nevertheless, grew during this period. This becomes clear when we look at what the standard indicators fail to cover--those working part-time but seeking full-time work, those who have been unemployed for twenty-six or more weeks and were still looking for work, those unemployed for less than 26 weeks, and workers who had become "discouraged" from ever finding work. Using this rather unsophisticated measure focuses shows the number without adequate jobs in 1997 at 15.6 percent of the labor force. Using other measures, such as adequate health and retirement benefits, would further add to the total.

Rather than confront the real problems of the nation, the political class declares a war on crime and drugs--but without front-line troops. This provokes the inference that these wars were not meant to be won, but rather to go on continuously in order to divert public attention away from areas that the former welfare capitalists do not want touched. A primary fear of the business elite is a public sector confrontation to change the current economic arrangements and inequalities. They fear another battle as occurred during the 1930s, when business domination was seriously challenged. The death of the labor movement and the paralysis of the political left bear witness to the success of business in protecting itself from this type of conflict. They are once again proving their domination in the class war.

Intuitively, the move toward massive imprisonment is anti-business. This is because locking away a portion of the excess labor supply means that they are unavailable for driving down costs in the private labor market. It is more a case of issue-seeking politicians keeping alive a policy that keeps them in power, regardless of the cost to the taxpayer. It is government that is responsible for the prevailing ideology of the nation, and it is government that must work to protect that ideology from being undermined.

Race and Criminal Justice

Similar to our resource walk through the criminal justice system, the results of this diversionary war on the public have been predictable. One result is racial bias. Table 30 looks at drug abuse arrests versus arrests for violent and property crimes for the years 1987 and 1996. Clearly, drug arrests have become a significant part of the criminal justice system. Drug offenses have become the nation's leading cause of arrest. As a percentage of total arrests, drug offenses went from 27.1 percent of total arrests in 1986 to 52.6 percent in 1996--up 94.1 percent over the period. Total arrests for drug violations went from 654,426 in 1987 to 1,080,888 in 1996--an increase of 57.5 percent, while arrests for violent and property crimes have gone up only 5.4

Table 30

Drug Arrests as a Percentage of All Arrests: 1987 and 1996

Year	1987	1996	
Drug Arrests	27.1%	52.7%	
Arrests for Violent Crimes	72.9%	47.3%	
Total Number of Arrests			
	1987	1996	Percent Increase
Drug Offenses	654,426	1,030,888	57.5%
Violent and Prop. Crime	1,761,806	1,856,686	5.4%
Ratio: Violent & Property/Drug	2.7	1.8	(33.3)%

Source: Author's calculations from Bureau of Justice Statistics, Sourcebook of Criminal Justice Statistics, Table 4.6, p. 333, 1997.

percent over the same period.

From the outset of the war on drugs, Blacks have been the primary targets. Although a number of policy makers state that the higher rates of Black incarceration are due to their increasing crime rates, closer examination of that statement raises some serious doubts when it comes to drugs. The following analysis is based on arrest records for two reasons. First, arrest records are likely the best indication we have of actual crime rates. Second, they provide a good frame of reference for measuring racial bias in each subsequent stage of the criminal justice process (Donziger, 1996, p. 107).

While Black arrest rates are disproportionate to their share of the overall population, these rates have not changed much for twenty years (Mauer & Young, October, 1966). As seen in Figure 1, the black proportion of violent crime arrests has remained in the range of 44-47 percent since 1976, while the share of property crime arrests has fluctuated from 29-33 percent during this period (Mauer & Young, 1996, p. 7).

The primary area in which criminal justice policy has changed in recent years is in the expanded arrest, prosecution and sentencing of drug offenders. Combating drug use has assumed the highest priority in the criminal justice system. But is Black drug usage greater in proportion to Whites? Each year the U.S. Department of Health

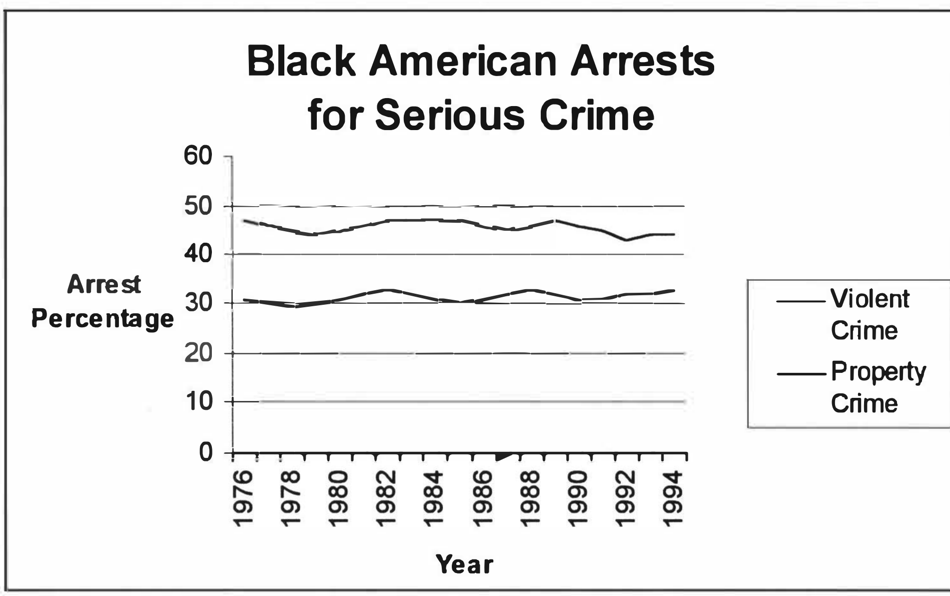

Figure 1. Black American Arrests for Serious Crime.

Source: U.S. Department of Justice, 1995, FBI, Uniform Crime Reports, <u>Age-Specific Arrest Rates and Race-Specific Arrest Rates for Selected Offenses, 1965-1992.</u>

and Human Services attempts to determine through an annual survey the amount of drug use in the population by race. Assuring individual respondents confidentiality, the survey asks a national cross section of the American population whether they have used any illicit drugs in the past year.

According to the Department's 1997 survey, there were over 32 million people in the United States--or 12 percent of the population--who used illicit drugs in the previous twelve months. In that year there were a total of 791,800 arrests for illicit drug possession nationwide. This was only a small fraction, however, of the approximately 32 million people who used drugs in the previous twelve months. The possession arrests accounted for fewer than three percent of drug users nationally. Potentially, these 24 million people could have been arrested, charged, prosecuted, and served prison time. The term "stand in" offenders is applied to this phenomenon because of the extensive pool of citizens who could be subject to arrest but the relatively small number who are.

Because of the stand in nature, it is important to look at the characteristics of those who are arrested. The results of the National survey indicated that Black and Whites drug usage percentages are 11.3 percent for Whites and 12.1 percent for Blacks. For males, the proportion of drug users was even closer--14.7 percent for Blacks versus 14.5 percent for Whites. Drug use is, therefore, spread fairly evenly among Blacks and Whites as a proportion of total population.

The Texas Commission on Alcohol and Drug Abuse conducted as 1994 survey of drug arrests for possession. Every Texas County that had a minimum of

100 arrests for possession was included. The results are shown in Table 31. There were a total of 60,274 arrests made for possession during that year. Of the total arrests, 21,922 were White and 20,467 were Black. Taken in proportion to each group's population, Blacks had a rate of arrest for possession equaling 909 per 100,000--or 6.5 times the arrest rate per 100,000 for Whites. By using arrests per 100,000 population we can examine trends while controlling for population growth.

Table 31

Arrest Rates for Blacks and Whites in Texas Counties in 1994

Whites Arrested	21,922
Blacks Arrested	20,467
White Arrests per 100,000 White Population	139
Black Arrests per 100,000 Black Population	909

Source: Texas Commission on Alcohol and Drug Abuse, 1996.

Nationally, the 1996 arrest rates for drug violations per 100,00 show similar results to the Texas study, that is, the patterns for the Black and White population again show wide disparities according to drug use and the rates of arrest for drug violations. Table 32 shows that the arrest rate for Whites equaled 309 for each 100,000 among the White population while arrest rates for Blacks was 1,200 for each 100,000 among the Black population. The ratio of White arrests per 100,000 population versus Blacks is 0.26, again indicating an extremely large difference--one that cannot be explained by differences in drug use.

Table 32

Nationwide Black and White Arrests in 1997

Arrests	White	Black	Ratio:White/ Black
Total Arrests	682,568	404,903	1.69
Per 100,000 population for each Group	309	1,200	0.26

Source: U.S. Department of Justice, FBI, *Uniform Crime Reports,* 1997, Table 4.3, p. 43, and U.S. Bureau of Census, Current Population Reports.

Tonry (1995, p. 19) argues that since police find it easier to make their quota of drug arrests in the ghettos, any policy designed to get tough on drugs necessarily means that more Blacks will be imprisoned. Tonry's thesis that the war on drugs is, in fact, a war on Blacks tends to be supported by a study revealing that the states with the highest imprisonment increase show about a 12 percent higher percentage of Blacks in their population (Tonry, 1995, p. 19).

It is possible to focus too much on this issue, however, and fail to see the bigger picture, that is, that it is really a class war. The laws that are currently incarcerating Blacks also apply to the rest of us. Recall from the discussion earlier in this chapter that the political left went along with the political right in support of sentencing guidelines. The left wanted to end the discrimination in the treatment of Blacks in criminal justice sentencing. The result, however, was longer prison sentences for more crimes for both Blacks and Whites. Liberals too went along with harsher sentences. In doing so, they not only failed to end discrimination against

Blacks, but the left also became as responsible as the right for getting tough on crime.

This discrimination can be seen in sentencing patterns. Table 30 shows the average sentence imposed and the estimated time actually served for violent crimes, property crimes, and drug crimes. At the federal level, the average length of sentence for drug possession was 66 months in 1994--a sentence higher than for all property crimes and aggravated assault. The estimated length of time to be served on a sentence shows the federal level at 56 months for possession--again higher than for all property crimes and aggravated assault. The estimated time to be served on a sentence at the state level is forty months shorter than at the federal level, although state courts do impose a hefty sentence. The primary reasons for the disparity between the federal and state levels are stiff mandatory minimums applied mainly by federal statutes and the requirement that prisoners serve at least 85% of the imposed sentence. States, however, are currently adopting many of the same sanctions as the federal level.

The differences in the treatment of Blacks versus Whites by the Criminal Justice system is reflected even in the types of drugs used by each racial group. In the late 1980s, Congress adopted new sentencing guidelines for those using crack cocaine rather than powdered cocaine. Possession for personal use of five grams of crack cocaine carried a five-year mandatory minimum sentence, while the possession of the same amount of powdered cocaine or any other drug was a misdemeanor punishable by a maximum of one year. Crack cocaine is used more in our inner cities primarily because it is cheaper than powdered cocaine.

The racial impact was not long in coming. In 1991, for instance, 90 percent of the crack arrests nationally were of minorities, whereas three-quarters of the arrests for powdered cocaine were of Whites. Sentences for possession of crack were typically three to four times harsher than those sentenced for possession of powdered cocaine. In this fashion, Blacks were sent to prison in unprecedented numbers and were kept there far longer than Whites (The Sentencing Project, 1993, pp. 1-12).

This is partially reflected in the different treatment Blacks receive at sentencing--45 percent of Blacks are sentenced to prison for possession versus only 27 percent of Whites. For trafficking in drugs, the difference is 52 percent of Blacks sentenced to prison versus 38 percent of Whites (The Sentencing Project, 1993, p. 1-12).

A part of the reason that Blacks are treated more harshly than Whites is that the criminal justice system relies heavily on the offender's criminal background when making sentencing decisions. Undeniably, Blacks tend to have lengthier criminal backgrounds and less stability at home. John Hagan in his presidential address to the America Criminological Society, however, warned that

> *One of the clearest things (these studies on racial in the criminal justice system) tell us is that criminal justice records are potentially problematic not only for the etiological study of criminal behavior, but also for the study of* reactions to this behavior in the form of processing decisions. These problems involve sample selection biases in the sifting of cases from stage to stage, and incomplete social background information on the offenders involved (Miller, 1996, p. 58).

Alfred Blumstein studied the allegations of racial bias in his comparison of crime rates with national arrest rates and concluded that "the arrest process whose demographics we can observe, is reasonably representative of the crime process for at least...serious crime types (i.e., homicide, aggravated assault, and robbery) (Blumstein, 1983, pp 1259-1281). Blumstein, a noted criminologist at Carnegie-Mellon, concluded that there was little evidence of racial bias in criminal justice processing. Because of his eminence in criminal justice, politicians, prosecutors, judges, and police chiefs around the nation have been pointing to it as justification of the current system.

But Tonry (1995) noted that arrest patterns by race had not appreciably changed from 1976 through 1992. White arrests for violent crimes ranged from 50 to 54 percent over the period, while Black arrests for violent crimes ranged between 44 and 47 percent. If arrests for violent crimes were the principal determinant of incarceration, the percentages of Blacks in prisons and jails should have remained stable throughout the 1970s through the early 1990s. Arrest patterns did not change, however, but the percentage of Black males admitted to federal and state prisons relative to Whites increased from a ratio of 1.13 White for each Black in 1980 to 0.97 in 1996 (see Table 33). Something in the criminal justice system obviously had changed.

With these kinds of figures emerging, Blumstein reversed himself and acknowledged possible racial disparities in the "dramatic, exponential growth in arrest rates for Blacks compared to Whites" related to the drug war (Miller, 1996, p. 84). In testimony before the Pittsburgh Commission on Human Relations, he argued that the war on drugs was victimizing Black people. As he put it, "the approaches we

Table 33

Number of Males Prisoners in Federal and State Prisons by Race 1980-1996

Year	Total	White	Black	Ratio: White/Black
1980	303,643	159,500	140,600	1.13
1990	745,808	363,600	372,200	0.98
1996	1,069,257	510,900	528,200	0.97
Increase: Number	765,614	351,400	387,600	(0.16)
Percent	252.1%	220.3%	275.7%	(14.2)%

Source: Author's calculations from Bureau of Justice Statistics, U.S. Department of Justice, Prisoners in 1994, August 1995, and Prisoners in 1997, August 1998.

are taking are clearly, in my mind, make matters worse" (Miller, 1996, p. 84).

What had changed was President Reagan's drug war. The war had a tremendous impact on the criminal justice system in terms of the number of arrests, the number of prosecutions, and increases in prison populations. This was a "disaster-in-waiting" for African-Americans from the day of its conception. Despite the fact that drug usage among the various racial and ethnic groups in the 1970s and 1980s remained roughly equivalent to their representation in society, from the first shot fired in the drug war African-Americans were targeted, arrested, and imprisoned in wildly disproportionate numbers (Miller, 1996, p. 80).

The Role of Blacks in the Economy

The political system is not so much racist as it seeks control over excess labor. Blacks are the original excess labor force. Although the current period is noted for job insecurity throughout society and is shared by all groups, Blacks have especially been caught in a continuing technological revolution that has displaced them first from agricultural work and next from industrial jobs. First there was the technology of the farm that drove millions of destitute Blacks north to the cities. The mechanical cotton picker proved far more effective than the Emancipation Proclamation in freeing Blacks from a plantation economy. Unleashed was a force of unimaginable proportions--millions of destitute Blacks moving north whose migration would soon unleash social and political forces that would come to test the very soul of the American compact. Writing in 1947, southern lawyer and businessman David Cohn implored the nation to take heed of the storm clouds on the political horizon. He warned:

> The country is on the brink of a process of change as great as any that has occurred since the industrial revolution.... Five million people will be removed from the land within the next few years. They must go somewhere. But where? They must do something. But what? They must be housed. But where is the housing?
>
> Most of these groups are farm Negroes totally unprepared for urban industrial life. How will they industrially be absorbed? What will be the effect of throwing them on the labor market? What will be the effect upon race relations in the United States? Will the victims of farm mechanization become the victims of race conflict?
>
> There is an enormous tragedy in the making unless the United States acts, and acts promptly, upon a problem that affects millions of people and the whole structure of the nation (Rifkin, 1995, p. 73).

But there was gainful employment for Blacks, at least temporarily, in the industrial North. It was, however, only transitory for a second technological revolution had already begun that would again lock them out of gainful employment. This time, however, the economic displacement created in its wake a new and permanent underclass in the inner cities and the conditions for widespread social unrest and violence for the remainder of the century (Rifkin, 1995, p. 73).

The fortunes of Black workers in the North improved steadily until 1954, and then began a 44-year historical decline. In the mid-1950s, automation began taking its toll in the nation's manufacturing sector. Hardest hit were unskilled jobs in the very industries where Black workers were concentrated. Between 1953 and 1962, 1.6 million blue-collar workers were lost in the manufacturing sector. Civil Rights activist Tom Kahn observed, "It was as if racism, having put the Negro in his economic place, stepped aside to watch technology destroy that place" (Kahn, 1964, p. 115). The unemployment rate for Blacks had never exceeded 8.5 percent between 1947 and 1953, and the white rate of unemployment had never gone beyond 4.6 percent. By 1964, however, Blacks were experiencing an unemployment rate of 12.4 percent while White unemployment was only 5.9 percent. Ever since 1964, Black unemployment in the United States has remained twice that of Whites.

The number of manufacturing jobs in Detroit, for example, fell dramatically beginning in the mid-1950s as a result of automation and suburbanization of production. Black workers, who just a few years earlier were displaced by the mechanized cotton picker in the rural South, once again found themselves victims of mechanization. In the 1950s, 25.7 percent of Chrysler workers and 23 percent of General Motor's workers was Black. Because they were largely unskilled, however, they were the first to be let go because of automation. In 1960 a mere 24 Black workers were counted among the 7,425 skilled workers at Chrysler and only 67 Black workers were counted as skilled among General Motors more than 11,000 skilled workers on the payroll (Rifkin, 1995, p. 75).

Today, however, poorly trained Blacks are a part of our surplus Americans because an economy dependent on downsizing and wage concessions no longer has use for them. For the first time in American history, Blacks are no longer needed in the economic system. Sidney Wilhelm best summed up the historical significance of what had taken place in his book *Who Needs the Negro?*

> With the onset of automation the Negro moves out of his historical state of oppression into one of uselessness. Increasingly, he is not so much economically exploited as he is irrelevant...The dominant Whites no longer need to exploit the Black minority: as automation proceeds, it will be easier for the former to disregard the latter. In short, White America, by a more perfect application of mechanization and a vigorous reliance upon automation, disposes of the Negro; consequently, the Negro transforms from an exploited labor force into an outcast. (1970, p. 162)

They pose a dilemma for American society--not because of their criminal acts--but because they made economic and social demands on a system that had no longer had a place for them. The public has paid dearly for these get-tough policies, not only in the billions involved in building and maintaining prisons but more so in the lost "opportunity" costs deriving from a different, more inclusive, set of policies designed to strengthen society's economic future. Politicians with no vision of the future except how to better serve their monied masters fail to see the relationship between economic growth, infrastructure and public works investment, and our surplus labor force. It is not so much that they cannot see the relationship, but more that they will not.

By focusing on crime and the poor, politicians suppress a far more harmful issue to their power--the distribution of income in our society. By focusing on crime, the political system diverts attention from a situation far more threatening to the nation's elite. Measures to lessen inequality threaten established institutions, authority, and privileges. The focus on crime diverts the public's attention while averting a threat to the basic polity and the economy.

Volitional and Structural Criminology: The Roots of Symbolism

In broad terms, public discourse concerning crime has taken two tracks since the late 1970s. The first track is called volitional criminology in which blame for crime is placed on the individual and the second is called structural criminology in which societal ills are blamed for the acts of offenders. Criminologists like James Q. Wilson and Richard Herrnstein represent the first "school", while criminologists include as Elliot Currie and Jerome Miller represent the structural view.

The volitional discourse focuses on choice to explain the connection between the labor market and crime. For example, Wilson and Herrnstein, after reviewing an array of provisional theories and inconclusive empirical research, state:

> Within a block or two, one can encounter people who value work and people who do not; thieves who steal regularly and systematically and thieves who steal occasionally and casually, even while employed. But for reasons having to do with some combination of cultural and objective conditions, it seems clear that a significant fraction of young men in many inner-city areas

> assign a low, perhaps even negative, value to success achieved through legitimate employment. (Wilson & Herrnstein, 1985, p. 335)

Although they recognize objective conditions, the conclusions they draw are clearly volitional. They simply do not care about objective conditions, only about choice. They envision a world of individual choice and personal responsibility and, flowing from that view, harsh sanctions result for those who make wrong choices and show little personal responsibility. For example, Wilson states in his 1975 book *Thinking About Crime* that

> If objective conditions are used to explain crime, spokesmen who use poverty as an explanation of crime should, by the force of their own logic, be prepared to consider the capacity of society to deter crime by raising the risks of crime. But they rarely do. Indeed, those who use poverty as an explanation are largely among the ranks of those who vehemently deny that crime can be deterred. (p. xiv)

Currie, on his part, acknowledges that there are "bad" people and people with "destructive and predatory impulses against which others must be protected" (Currie, 1985, pp. 23-24). He argues, however, that for policymakers these generalizations are missing the point, because they

> cannot help us understand why crime is so much worse at some times or places than others. Why are people in St. Louis so much more prone to crime than those in Stockholm or, for that matter, Milwaukee? Why are the people in Houston not only far more likely to kill each other than people in London or Zurich, but also much more likely to do so today than they were twenty-five years ago? (Currie, 1985, pp. 23-24).

Thus the sharp battle lines of public discourse are drawn between structural criminology and volitional criminology: Structural criminology sees the problem as a flawed society failing to offer adequate alternatives to crime while volitional criminology sees crime as a consequence of flawed individuals making wrong choices. Unemployment and inequality are the social conditions cited most often by the structuralists, while volitional criminologists cite selfishness, family breakdown, and an unwillingness to do honest work in support of their view.

Volitional criminology, however, is dominating structural criminology in the public arena. Volitional criminology, quite simply, provides government with a politically attractive response to crime than the structural alternative. Politically, volitional responses to crime are much less costly. This is particularly true of the federal government which has minimal direct responsibility for the problems posed for public order by street crime--but primary responsibility for ideological, economic, political, and social threats to the state. Structural interpretations of crime are fraught with danger for politicians. Such responses to crime would severely complicate the economic, political, and ideological arrangements of the nation.

Arguments concerning inequality, for example, would require that policies be implemented that would redistribute income while, at the same time, generating public approval for them. The premise of structural criminology is economic crisis, which the government is reluctant to recognize because the prescription for economic crisis entails a high cost both economically and politically.

Structural change promises to be controversial and divisive, and generating consent for structural change will pose both ideological and political challenges. Structural change threatens the vested interests of the more affluent and influential elements of society who will, by definition, be expected to bear a disproportionate share of the costs of redistribution and labor market reform. Also, structural change will pose ideological problems, since it is premised on collectivist and egalitarian values, which are at odds with the prevailing American ethos of individualism. In other words, the structural interpretation of crime call upon the law-abiding public to acknowledge that social conditions are at the root of criminality, to take some responsibility for that criminality, and to pay the substantial costs of changing the social conditions. This is hardly a strategy for maintaining power.

In contrast, volitional criminology discounts the economic causes of crime and thus puts less stress on the capabilities of the state. By identifying criminality with pathological individuals, volitional criminology stigmatizes the individual rather than a class of individuals, and validates punitive responses to them (Scheingold, 1991, p. 24). Punishment therefore becomes the less costly alternative--both ideologically and politically. Telling the public what they want to hear is much less filled with political uncertainty than telling the public what it needs to hear. Hall thus observes that "If black youth are thought of exclusively as muggers, people will be less willing to consider the fact that they constitute the social group with the highest rate of unemployment" (1985, p. 489).

A form of criminological advocacy has grown around these two approaches. Neither side hears, or wants to hear, what the other side is saying. There is no common ground from which a sounder approach to crime control can emerge. This lets get tough politicians providing simple answers to complex problems off the hook. And, from a political vantage-point, the volitional school provides answers that are simple and efficient.

But the real costs to us, the rest of society, are enormous. Acceptance of volitional criminology without paying attention to the objective conditions in society means that the conditions will remain. The primary objective of the criminal justice system--crime control-- becomes meaningless as the state assumes more and more authority and control over the population. In other words, government is not attempting to control crime but rather to expand its authority over the population. The theoretical basis for volitional criminology, after all, lies in the coercive power of government over individuals (D. Gordon, 1995, p. 4). It is a neoconservative philosophy in that it attributes street crime to a general moral decline and to "the psychology of radical individualism and the philosophy of human rights" (Wilson, 1975, p. 237).

This approach to social problems parallels other social trends in that they renege on the mildly redistributive policies of the New Deal and the Great Society. Where a resource retrenchment prevails in social spending and tax policy, a rights retrenchment is underway in policies of coercive control.

More inclusive labor market strategies have been abandoned in the wake of the move toward greater retribution and control. Investments in infrastructure, public works, and jobs programs have been scaled back in order to ease the strain of government on private markets. But it is these types of investments that best insure a more prosperous future for all Americans. The public has been told that private markets are the only way to solve unemployment and equal access problems. Though the notion of unaided private markets is attractive to government, the reality is that the long-term tendency of unaided private markets is to divide societies sharply into those who have and those that do not have access to stable and rewarding work (Currie, 1998, p. 349). A public role is necessary.

The volitional response has masked another important misallocation of public resources--one that someday will come back to haunt us as a nation. This is the amount of resources dedicated to public investment. Funds for public investment can serve to make for a more productive society and, in the process, provide greater employment and income for our labor force. Table 34 looks at one example. The spending misallocation shows up when we examine real government spending for infrastructure and criminal justice from 1982 to 1993.

As shown in the table, real spending for infrastructure, including highways, mass transit, water supply, and wastewater treatment facilities, barely increased,

Table 34

Government Spending for Infrastructure and Criminal Justice:
Real 1982 Dollars From 1982-1993 (Millions of Dollars)

Year	*Infrastructure*	*Criminal Justice*	*Ratio*
1982	$127.0	$37.1	3.42
1993	127.7	67.5	1.89
Percent Increase 1993/1982	0.5%	82.1%	(44.8)%

Source: Data derived from Congressional Budget Office, *Trends in Public Infrastructure Investment,* May 1999, and Department of Justice, Bureau of Justice Statistics, *Sourcebook of Criminal Justice Statistics,* 1997, Table 1.2.

rising just .5 percent over the period. Spending on the criminal justice system, meanwhile, increased dramatically, going from $37.1 billion in 1982 to $67.5 billion in 1993--82.1 percent. The ratio of infrastructure investment to criminal justice spending has gone from $3.42 in 1982 to $1.89 in 1993--a decline of 44.8 percent. Numbers like these strongly imply that there is a trend underway to a third world status in which resources are available to lock up massive numbers of people, but little is available to make them productive.

As jobs continue to deteriorate, as income continues to decline in real terms, as benefits such as health insurance and retirement are reduced or become more costly to the employee, we will soon see the real cost to us as a nation of following this path. Danish sociologist Svend Ranulf when examining Germany in the 1930s drew an interesting parallel. Ranulf saw a “disinterested disposition to punish.” He called it “disinterested” because “no direct personal advantage seemed to be attained by calling for the harsh punishment of another person who had injured a third party.” Noting that this punitive disposition was not equally as strong in all human societies, and was entirely lacking in some, Ranulf concluded that it did not arise out of concern for deterrence. Rather, it was less a response to increased crime rates than tied to the economic insecurities of the middle class (Ranulf, 1964).

The politics of substance is indeed expensive to our politicians, given their short time horizons. They desire quick fixes that have quick political payoffs. If we are to address societal problems, however, we must find a way to change these short-term political outlooks. Although there is no great crisis motivating us to make these changes, as there was in the 1930s, we may look back on this era and wonder why, when we had the resources, we did nothing (Reich, 1998, p. 1).

CHAPTER VII

CONCLUSIONS, RECOMMENDATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH

Conclusions

We are now in a position to answer the major research questions posed in Chapter I. The questions and answers are as follows:

Question #1: Was public opinion leading political actions in the area of Social Security and criminal justice? Or were political actions leading public opinion?

During the current debate on Social Security the answer appears to be that political actions are leading public opinion. The forces behind privatizing the system with individual accounts have successfully shaped public opinion by characterizing the program as either a "ponzi" scheme about to fall or a system that cannot be sustained financially in the future. Various opinion polls indicate that current workers do not believe that Social Security will be there when they retire.

During the depression public opinion was leading political activity. The "Townsend" movement and the "Share the Wealth" movement had identified the conditions of older workers as a social problem requiring public sector action. This "thunder on the left" was responsible for the nation's first old-age insurance program being adopted.

Question #2: What is the objective condition of the program?

The facts do not bear out that the current system is unsustainable or that the money will dry up. Rather, what has been portrayed as a crisis is, in actuality, more of a technical problem that would not require either benefit reductions or payroll tax increases. There are a variety of opinions available that, if acted upon soon, would bring the long-term outlook into balance.

The real problem is the manner in which "forecasts" are being used to show that a crisis exists. The Advisory Commission on Social Security laid out three scenarios in its 1998 report—low cost, intermediate cost, and high cost. The intermediate forecast, quite naturally, is the scenario being cited. In the 75-year intermediate forecast, the program is estimated to have sufficient funds to pay 75 percent of benefits in the year 2034, when the current Social Security surplus runs out. Outgo will exceed annual taxes sometime around the year 2013.

There are no serious-minded economists who consider this scenario as anything more than a planning tool to made adjustments to the program. If one were to regard the outlook as a serious measure for economic activity over the next 75 years, then not only is Social Security in trouble, but the rest of the nation's commitments are as well. This forecast, however, should be considered in similar fashion to the forecasts predicted by the "stagnation" theorists of the 1930s. Their outlook was particularly grim in that they believed the American economy had reached its zenith; there was to be no more growth.

This scenario, however, was not meant as a forecast for economic activity over the next 75 years. Most economists readily admit that even an annual forecast is fraught with uncertainties, let alone a 75-year forecast. Most of our recent forecasts have consistently predicted slower economic growth than actually occurred. Given the shaky foundations of economic forecasting, the notion of predicting the next 75 years is preposterous. If the figures put out by the Advisory Commission were to be used properly, they would be viewed as a planning tool to predict the effects of program changes.

Further, the fund trustees laid out two additional "forecasts"—a high-cost and a low-cost scenario. Politicians in their deliberations rarely mention the low-cost projections. One reason is that these figures differ markedly from the intermediate-cost projections. If the low-cost projections, however, prove to be closer to reality, there would be no potential imbalance in Social Security, let alone a "crisis." Bear in mind that this too is merely a set of figures showing another view of the long-term financial conditions of Social Security.

Nonetheless, it is interesting to note several of the differences between the low-cost and intermediate-cost projections to demonstrate the tenuous nature of using them as forecasts. The unemployment rate, for example, under the low-cost scenario is five percent while the intermediate pegs the figure at six percent. The five-percent figure represents a higher rate of unemployment than was actually experienced in recent years. Read GDP is forecast under the low-cost scenario to be at a 2.2 percent average over the 75-year period; it was 3.8 percent in 1997 and 2.8 percent for 1996. This is compared with 1.4 percent average GDP growth laid out in the intermediate forecast.

Importantly, under the low-cost scenario there are Social Security surpluses throughout the 75-year forecast period, going from a high in 2018 of 457 percent of annual expenditures before falling to about three times annual expenditures in 2065, according to the OASDI annual report for 1997 (*Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Trust Funds,* 1997, pp. 13-15, 26, 54-55). The fund would be, in other words, in surplus. Importantly, as we shall see in the recommendations section, there are certain proactive measures that our political leadership should take to best assure our future growth rates.

Question #3: What were the objective conditions before the criminal justice system shifted to just deserts from rehabilitation?

Once again, the evidence appears to indicate that the "wave of crime" crisis facing America was largely fabricated. Scare mongers used fabrications to mislead the public. They cited year-to-year crime statistics to indicate trends when the data was actually measuring increased reporting by local police agencies, and they redefined drug usage as our most dangerous offense and promptly filled our prisons with drug offenders. Unlike Social Security, which presents a technical problem, crime does present a social problem. But that does not make it a crisis. Using abandoned "studies," "experts" who did not say that more imprisonment was the answer to crime, fighting violent crime by locking up non-violent offenders (the bait and switch routine), incarcerating Blacks for drug offenses at phenomenally higher rates than Whites when drug usage is similar among the races, building vast additional prison capacity at taxpayer expense without solid empirical support for building it, the list of fabrications goes on and on.

Question #4: Have political actions shaped public opinion? Or has public opinion guided the politicians in the "War on Crime"?

From Richard Nixon's "Southern Strategy" to Ronald Reagan's "War on Drugs," political leaders have shaped public opinion by telling the people what they wanted to hear based on myths rather than what they needed to hear based on the facts. These politicians have played to the baser instincts of the American public rather than what leadership out to be doing—playing to the public's higher instincts. We have seen in this research paper how the government and political leadership whipped up the public in support of a political agenda.

Question #5: Has the nature and role of symbolic politics changed since the days of Roosevelt?

One means of answering that question is to compare the ends of symbolic politics. Are the ends broad or narrowly based? Compared with the 1930s, the dominant characteristic of today's politics is the manipulation of public opinion to achieve narrow ends. Roosevelt was a master of symbolic politics but he was using symbolic politics in support of more substantive ends. FDR did not create a crisis but, of course, there was no need to; he already had one. FDR appeared to the public to be an enemy of business while working to advance business interests, but he firmly believed that in doing so he was acting on behalf of the working class also. The capitalist system, Roosevelt believed, would lead the nation out of depression and ultimately provide economic security for the workers.

It could have been the times, however, because the 1930s was a period of turmoil and the needs of the working class were made abundantly clear. Roosevelt deflected the "thunder" from the left by adopting a niggardly old-age insurance scheme with major gaps in the groups covered and a steeply regressive tax. His reasons for adopting old-age insurance during the depression were basically two-fold: (1) to make him appear as a friend of the working class, and (2) to use the revenues to achieve one of his most cherished goals of balancing the budget. He also had two major movements to confront: (1) the Townsend Movement and (2) Huey Long's "Share the Wealth" program.

Roosevelt was a prisoner of the economic wisdom of his era. Many would like to portray FDR as leading the nation into a new economic era, but this was more myth than reality. He believed in balanced budgets and he believed in capitalism. The notion that capitalism would eventually lead the nation out of depression was deeply held by FDR. Thus, given the conventional wisdom of the period, Roosevelt can be considered as working on behalf of the working class. His advancement of welfare capitalist ideas was done on behalf of the working class. His symbolism, in other words, was employed in support of substance. Yet, it remains troubling to me that business interests continue to predominate, albeit behind the scenes as well-played politics demand, in every era well before the 1930s through today.

Our current politics manipulates the public into believing that they are facing a series of "crises" that are, in reality, hyped up problems confronting the nation. The reasons that they create these crises are to force dramatic changes in situations in which they will benefit. While the situation with Social Security can be viewed as a potential problem, it does not call for overturning a program that has been successful for over 60 years. The real problem, as will be demonstrated in the next section, is that our economic system is not generating a sufficient number of good-paying jobs for the working class—a situation that we also faced during the depression.

Social Security certainly cannot be characterized as "ponzi" that is about to collapse; and it certainly cannot be characterized as a system that is about to run out of funds. But those are some of the characterizations being made about the program, and these characteristics may be depicted, kindly, as myths. Similar to the "big lie" theory, these myths have been spread long enough to have unfortunate effects on the public. The younger generation now believes that the current program arrangements it benefits will not be there when they retire. That belief reflects the success of this largely symbolic campaign.

Making relatively minor adjustments to the program, however, would erase any doubt as to the long-term viability of Social Security. Eisner (1997), for example, provides a sound strategy for eliminating the potential shortfall. He would take Social Security benefits that are currently taxed and delicate them to Social Security. Eisner's second proposal would be to award Social Security a higher rate of return on the funds borrowed from the trust fund. Such a measure is justified, according to Eisner, for if Social Security were lending the funds in the private market rather than to the government, it would generate greater earnings. In combination, these two measures would easily close the funding gap shown in the intermediate forecast. Robert Ball, former Commissioner of Social Security and currently a member of the Advisory panel, has spelled out similarly sound and uncomplicated measures to resolve the potential problem.

Criminal Justice

The public has been led to believe that they were enveloped in a crime wave, but it was largely a government-sponsored myth created more to resist challenges to the political system than to address public safety. Our current policies are designed to assert greater control over those Americans who protested their exclusion form the economic benefits of society. This population was characterized to the public as “thugs” and “predators,” and their economic concerns were never addressed. The reality is that this population is a part of the economic system’s “surplus” labor force.

As in the case of Social Security, crime has indeed been a problem in American society. However, the cost Americans have paid to fill our prisons to capacity with primarily nonviolent offenders and paying little attention to the front end—police protection and other less costly programs for avoiding crime at the outset—raises serious questions concerning the government’s commitment to real crime prevention. It appears the primary goal of our criminal justice system was radically changed from trying to reduce crime to trying to control economically troublesome populations. The political class achieved this change by employing symbolic politics; that is, the political class defined what was the most serious crime; it defined who were the most serious offenders; and it systematically imprisoned vast numbers of Blacks without empirical validation.

Indeed, the leading guru of the imprisonment drive, James Q. Wilson, stated in his 1975 book that he favored a greater certainty of punishment rather than lengthy prison sentences for more offenders. He cited the scant empirical evidence to support increasing use imprisonment and the unnecessary scarring of many hundreds of thousands of lives without the promise of reducing crime. Wilson was prescient in cautioning what might happen, and how he became so widely misquoted by many of our politicians and others provides further corroboration of the success of symbolic politics.

Symbolism has always played an integral and vital role in our political system, but policy makers have now changed from broadly based to narrowly based objectives. Political theorists have traditionally argued that our political system will most often respond to the middle, that is, the middle of the income range. That is no longer true today. Political responses are now more likely to cater to those with a much higher income than in previous generations, likely at the top five percent of income of what might be termed an over-class. Political analysts blame this situation on the demise of the political parties and the need for more extensive campaign financing. But these are merely symptoms of a larger phenomenon.

Closer examination of the current situation reveals that our political system is favoring the over-class over the others as a result of changing economic conditions.

When corporate needs dictated policies that would encourage more workers to enter the marketplace, labor policies were more inclusive. When the marketplace did not need as many workers, our public policies became exclusive and punitive. If we are looking for a reason why so many eligible voters have shunned the voting booth, perhaps this one-trick pony merits further examination.

From the depression years through 1972, businesses used as much labor as possible. Unemployment and underemployment were lower during this period. From 1972 forward, however, the alleged "globalization" began to create other business needs. These needs included the termination of organized labor and declining economic security for the workforce. These changes in the needs of business also created the mythical crisis in Social Security and the widespread imprisonment of the newly defined "dangerous" classes. The move toward privatization of Social Security with its individual accounts symbolically beckons to values such as rugged individualism rather than the merits of a collectivist approach.

Our public policies have always been dominated by business. The first great class struggle in the 1930s was an absolute victory for the welfare capitalists. They achieved what they wanted. The adoption of the original old-age assistance program relieved business of the costly burden of private pensions and restored competitive balance between the welfare capitalists and the so-called "laggards." The original plan had niggardly benefits and coverage and the adoption of a "pay-as-you-go" scheme of financing—each designed by the welfare capitalists. These measures were taken to assure that Social Security would never become a large self-financed program that would compete for workers' loyalties.

Although they were responding to labor union pressures, the great expansion of coverage and benefits starting in the 1950s was done in a manner that benefited the welfare capitalists. The welfare capitalists were forced by several court rulings to negotiate pensions with organized labor. Thus, business needed to once again "nationalize" the costs of the bargaining results through publicly permitted "integrated" pension plans, meaning that the taxpayers would assume the increased costs associated with privately bargained pensions.

Welfare capitalism in the United States did not die in the 1930s, as many assume, but rather closed its doors in the 1970s as companies began to find cheaper labor alternatives globally. Since that time, the American labor force has been forced to bid down many of the economic benefits that it had realized in the 1950s and 1960s. The nation has embarked on a "get poor" strategy in which real income for the vast majority of workers is declining. Benefits such as retirement and health insurance are either being scaled back or eliminated altogether, and job security has become a relic of the past.

The political class has today redefined as "thugs" and "street criminals" the 1960s protesters who demanded equal access to our economic system. Thanks to our political class, the conventional wisdom is that drugs are the most dangerous criminal offense in America and that the lower classes are the most dangerous classes. This diversion masks the reality that a class conflict is taking place with issues every bit as important as in the 1930s. Only this time around much of the working classes are unaware of the conflict. The dominance by business is that powerful.

There is a highly educated professional "overclass" that has managed to suppress any discussion of this conflict. The goal of the modern ruling class is increased wealth and comfort for itself. All members of the class oppose anything that interferes with that goal—such as curbs on immigration, organized labor or planned trade as opposed to free trade, whether they call themselves Democrats or Republicans, liberals or conservatives. The so-called "wedge" issues such as crime and abortion are merely ruses to have the public believe that real debate continues in our democracy.

The old categories of left and right have lost their meaning because of similar demands of this class. They live in a borderless society, linked to the rest of the world by modem and other modern technology. As a class they do not regard what happens to America as very important, or at least do not much think about it. The political class validates these common class wants by defining as law. Symbolic politics has become the politics of substance—elitist, short-term, and unjust.

Recommendations

Public policy making in this nation is characterized by a lack of accountability to the public and a bounded focus. A problem in Social Security, for example, sees our policy makers gathering around the Social Security system for the "solution." More often than not, however, the Social Security is exhibiting symptoms of a greater evil and the solution is rarely found within the system displaying the symptoms. Policy makers confuse cause and effect by acting like they are in close proximity and, what is more unfortunate, the public, thanks to this narrowly focused approach to public policy making, thinks so too. The pubic rarely sees the entire picture nor is it given the broadest range of solutions. That, however, is how success of symbolic campaigns is measured—the purpose is to sell a particular "solution" and to avoid discussion of alternatives.

These "solutions" when applied to real social conditions, too often result in the condition growing worse. That is because causes and effects are not close in either time or space. Effects are the symptoms indicating that a condition exists—drug abuse, unemployment, and crime can in that sense be viewed as symptoms rather than problems. Causes represent the underlying interactions of our economic and social systems, which are most responsible for bringing about the symptoms. The political system is supposedly responsible for resolving problems by attacking these causes. But our political leaders only rarely adhere to this fairly rudimentary formula. They have narrower objectives and shorter time-horizons.

Stated differently, politicians often purposely link cause and effect too closely together to avoid other approaches that would challenge the status quo. Crime will always have a criminal justice solution to avoid dramatic changes in the labor market conditions and also to keep crime in the forefront as an issue. Many politicians would have a difficult time finding a replacement issue with as much salience as crime. A criminal justice can therefore be interpreted to mean that the crime issue will remain because the solution with the greatest leverage on crime—reforming the economic system—is off the table for discussion.

Both the potential financial problem in Social Security and the social problem in criminal justice are rooted in our economic structure. This does not mean that attacking the underlying causes will make the condition disappear, but appropriate economic responses will have the greatest leverage on them.

A Silent Depression

The nation is facing an economic phenomenon unlike any other it has ever faced—a "Silent Depression." A depression in the traditional sense, such as the Great Depression of the 1930s, involves a severe, rapid, and highly visible decline in economic production, employment, and living standards. By contrast, this depression has progressed gradually, with living standards and employment conditions deteriorating almost imperceptibly over time, for much, though by no means all, of the population.

Interestingly, the ordinary citizen has been quicker to perceive the reality of this depression than have most politicians. Public opinion polls have increasingly reflected a sense of hopelessness about the future and cynicism about the political system's ability to make things right. Decision-makers are caught up in their own time horizon, which typically only covers their time in power. Focusing on the short-term and ignoring the long-term, however, obscures the underlying trends that have a more permanent effect on our economic well-being.

This failure to look beyond the short-term has accommodated an economic deterioration that has continued for nearly three decades—a span longer than the Great Depression. Growing job insecurity, declining real incomes, and growing economic inequality among the population characterize the economy. A new economic agenda is needed—a modern version of the New Deal. A return to depression economics is in order, but only this time a well-planned, thoroughly implemented approach is demanded. We should take to heart the economic lessons from the 1930s and 1940s and update them to meet the challenges of today.

A change in the quality of public decisions and the true role of the public sector in the economy is a prerequisite before any new path can be taken. The private sector is already attempting such a transformation in its mode of decision-making. The primary focus of this transformation is how to make better long-term strategic decisions in an increasingly competitive environment. Resulting from this effort is a dismantling of the traditional hierarchical and segmented decision-making structures that blinded business in its efforts to compete. Replacing them are more "participative" decision arrangements designed to promote broader-based solutions to problems. The objective is to develop strategies that provide the enterprise with a "competitive advantage," that is, a unique niche in the marketplace that assures survival and growth.

We must bring this type of decision-making to the public sector—but for all of the people. Believing that the public sector is immune from making changes to its decision-making process is unrealistic. Forcing our policy-makers to confront true causes and effects and to focus on the longer-term ultimately will provide the public what it most needs—long-term economic growth and security. Were the public sector to use the same decision-making tools as business—but for the *nation's* competitive advantage—the public sector would then provide the "countervailing power" to business that has to date existed only in our conventional wisdom. It has not been real.

Is this a call for revolution? That depends on the meaning of revolution. If it means overthrowing of our political system, it is a war that the working class will lose. If it means a strategy with something in it for all classes however, then the working class will prevail. Everyone must be included in this revolution. What is necessary for the working class to win is to alter our political system in a fashion that makes the ruling class *care* about jobs and security for the rest of America. How do we accomplish this undertaking? The answer is that there must be something in it for them. There are several ways to accomplish this goal.

Preaching the gospel of political accountability through changing the way in which the public sector classifies reports its' spending would be a mighty tool of political reformers if used properly. This change could alter the way we perceive public investment. There is a great deal that we can learn from history. The chapters on Social Security told of a "great compromise," an informal strategy that was made between the government and the welfare capitalists in the 1940s. The strategy involved limiting the public sector role in private economic affairs to fiscal and monetary policy. The government would act as a stabilizer for changes in the business cycle and maintain, if not increase, consumer purchasing power.

That view of the state was not incompatible with a belief in public investment. Many defenders of public investment then, as now, have argued that its greatest value was in creating consumer demand—both by creating jobs in the short run and by expanding markets in the long run through regional development. Galbraith (1959), for example, argued that the best use of fiscal policy was to spend public funds on important public projects and, by so doing, to achieve the dual effect of stimulating economic growth and enhancing the nation's productive resources (pp. 189-199).

Most neo-Keynesians, however, rejected this argument. Public investment, they responded, worked too slowly to provide a significant economic stimulus in a recession. If increasing consumption was the public policy objective, then the most effective way to achieve it was through lower taxes or through public spending that would reach consumers more quickly. This approach resulted in the Kennedy and Reagan tax cuts and in the expansion of public assistance. Productive capacity achieved through public investments became secondary to these newer consumption related concerns. In this fashion, our political responses became short-term only. Concern with the longer-term became moot.

Public investment lost out for other reasons as well. Such investment was not politically enticing with its long payoff boundaries. But consumption spending was more politically appealing because of its more immediate political payoff. Politics was freed from the shackles of responsibility for the long-range because under the neo-Keynesian compromise, almost any program could be characterized as meeting the investment criteria. The fact that they did not was beside the point; politicians could then spend generously on anything that had a political payoff. And spend they did, running up a string of deficits that stretched from 1968 through today. Neo-Keynesian philosophy took a sharp turn from the original Keynesianism by focusing almost exclusively on using fiscal policy to stimulate demand. Lost in the process was the Keynesian notion of using government spending to promote socially valuable projects as well.

The kind of economic thinking that recognizes current consumption to the exclusion of the long term is fatally flawed. The neo-Keynesian model assumes that all that matters is current demand for final consumer goods; the higher the demand, the better. This view overlooks completely the role of future consumption. What good does current consumption do if the productive capacity does not exist to support future consumption?

The conventional wisdom has misinterpreted the history of the depression. Forgotten was the key role public investment played during the 1930s in advancing the long-term prospects of the economy. The PWA was given the task of expanding federally sponsored public works projects in order to provide employment and stimulate the economy. It became the primary weapon used by President Franklin D. Roosevelt to fight the depression (Schlesinger, 1958, p. 161). Noteworthy is that under its director, Harold Ickes, spending was directed toward improving the economy over the longer term. "We set for ourselves at the outset," Ickes said, "the perhaps unattainable ideal of administering the greatest fund for construction in the history of the world without scandal" (McElvaine, 1984, p. 152).

For all practical purposes, the PWA achieved that ideal. The agency chronicled an incredible record of the efficient use of funds and left a legacy of public infrastructure that most analysts agree provided the foundations for the rapid rise of productivity and prosperity of the 1950s and 1960s. That record included the bridges of the 100 mile causeway leading from the mainland to Key West, Florida; the Grand Coulee, Boulder and Bonneville Dams; the Triborough Bridge in New York City; and some 70 percent of all new educational buildings, sewage systems, port facilities, and hospitals (McElvaine, 1984, p. 153).

The New Deal went further than any previous administration in promoting public investment. It built the Tennessee Valley Authority, which remains the second largest regional development project in American history. Through the rural Electrification Administration, it carried electrical power to millions of rural Americans. The effort of the New Deal served immediate needs by providing desperately needed employment and income by building an infrastructure that was able to support America's greatest period of economic growth and prosperity. Federally funded infrastructure projects laid the groundwork for the postwar transformation of the American Southwest from an arid, slow-growth region into a booming "Sunbelt". The New Deal created transportation and communication networks without which the postwar economic "miracle" would have been greatly disadvantaged (Brinkley, 1993, p. 86).

Many economists and others saw the emphasis on pubic investment as a means of providing full employment. Notable were Keynesian economists in the 1940s who saw the transition to peace as their best opportunity to establish their ideas in public policy. They promoted guarantees of full employment as the best means of assuring post-war prosperity. Alvin Hansen, for example, wrote numerous articles in support of such legislation. Liberal members of Congress, convinced that the public expected protection from the prospect of a peacetime return to depression, considered full employment to be a politically attractive cause (Brinkley, 1995, p. 7).

The proposals made by the National Resources Planning Board (NRPB) were clearly implicit as the means of assuring full employment. The distinguished economist, Alvin Hansen, became increasingly involved in the board's deliberations and, in fact, became the author or co-author of many of its most important reports. The board also began to work closely with the newly formed Fiscal and Monetary Advisory Board that had been created to advise the President on government spending, taxes, and monetary activities to smooth out the business cycles.

The NRPB's principal mission was to devise policies that would create a high-production, full-employment economy. To reach that goal, it would create a shelf of potential public undertakings from which the government could draw projects as insurance against industrial collapse and unemployment. In its most important and controversial piece, *Security, Work, and Relief Policies*, the board laid out a broad and ambitious plan to make "adequate provision for those who have no means of livelihood or only inadequate means"—a plan that accepted, but greatly expanded upon, the outlines of the social insurance and social relief provisions that the New Deal had created in the 1930s (Brinkley, 1995, p. 251).

The proposal was never acted on for three primary reasons. First, there was the fear of concentrating too much power in the executive branch. Second, there was the fear of creating a large bureaucracy to oversee the program. Third, and most importantly, business and government reached their great compromise—government would restrict its planning in the private economy to fiscal and monetary policy. There would be no "shelf" of public works projects—and hence no central planning—to provide gainful employment. This compromise was a great victory for business interests for it preserved the notion of limited government in this country and paved the way for the conservative assault on government in the 1980s.

Since that time in our history we have learned a great deal about the value of infrastructure and public works investment. The importance of these investments in promoting economic performance is potentially enormous. Public infrastructure investment can stimulate economic activity by supplementing productivity; it is a factor of production. In turn, such public investment attracts additional private investment and creates jobs. Viewed in this fashion, public investment is productive rather than consumptive. Such investment is properly viewed a complement to private capital and productivity and, as such, must play a central role in any plan for economic development.

In 1986, for example, 100 economists, including six Noble Laureates, proposed increased spending on education and infrastructure in order to assure a more solid economic future (Gregory, 1992, p. 33). These types of expenditures are truly investments, producing returns to society years after the initial expenditure. Studies show, almost without exception, that the quality of infrastructure ranks at the top of the list of executive responses to location surveys (Corporation for Enterprise Development, 1991, p. 17).

Yet this nation has been reluctant to invest adequately in public capital. This reflects the "great compromise" and how it permitted short-term political needs to dominate public spending. Politicians seek immediate results—a payoff in political terms that occurs within the short-time horizon of their period in office. Most spending is consumptive spending, that is, spending that is consumed immediately with no financial return. It is this type of spending, however, from which politicians gain the most politically. When policy makers do allegedly make capital investments, they do it politically, through pork barrel projects. The result is that little economic benefit results from these political decisions made on the pretext of public investment. The Congressional Budget Office, for example, was asked to determine the economic effects of federal infrastructure investments. It issued a 1999 report that stated that further investments would have little impact in part because the decisions on where to invest were "political" (CBO, 1999, p. 3).

One indication of the political aversion to infrastructure spending is shown in Table 35. The table shows the amount spent on infrastructure at the federal, state and local levels from 1956 to 1994 as a percent of GDP and as a percent of total government spending. As a percent of GDP, government spending for infrastructure fell dramatically in recent years from the levels of the 1950s and early 1960s, going

Table 35

Total Government Spending for Infrastructure as a Percent of GDP
and as a Percent of Total Spending: 1956-1994

Year	As a percent of GDP	As a Percent of Total Spending
1956	2.4%	9.6%
1961	2.5	8.5
1966	2.2	7.7
1971	2.3	7.1
1976	2.1	6.1
1981	2.1	6.1
1986	2.0	5.8
1991	2.1	6.0
1994	2.1	6.0
Change 1994/1956	(12.8)%	(38.0)%

Source: Author's analysis of Congressional Budget Office (CBO) data from, *Trends in Public Infrastructure Spending,* May 1999, Table A-3, A-6; and U.S. Department of Commerce, *National Income and Product Accounts of the United States, 1929-1994,* Table 1.3, 3.15.

from 2.4 percent of GDP in 1956 to 2.1 percent in 1994—a decline of 12.4 percent. The decline of infrastructure spending as a percent of total government spending was even more dramatic—going from 9.6 percent of total spending in 1956 to 6 percent in 1994—a drop of 38 percent. The data clearly indicate that our politicians are not taking care of our infrastructure needs, but rather spending greater amounts on consumptive spending.

It is infrastructure investment, however, that has the potential to achieve greater economic and productivity gains for the nation. Politicians, it appears, are more interested in the short-term political payoffs that derive from consumptive spending. Research has highlighted the link between investment in public capital and the performance of the economy at large (Aschauer, 1989; Munnell, 1990) and has shown that public and private investments are complementary—public capital investment stimulates private investment. Fazzari (1993), for example, examined the notion that public investment leads to a reduction in private investment. His findings showed the exact opposite—that the process typically is one of "crowding in," not "crowding out" (pp. 7-8). In other words, public investment causes more private investment.

There are several reasons for this. First, business will not make all the investments that society needs because companies do not receive the entire benefit of their investments. New discoveries from basic research leak out to others and are not fully patentable; there are societal benefits to highways, bridges, airports, mass transit systems, and other infrastructure which exceed the amount that their users might be able or willing to pay in fees or tolls; and a well-educated and well-trained workforce enhances the wealth of the nation more than the sum of the individual returns to education and training.

Additionally, private capital knows no national boundaries. Companies are likely to shift their savings and investments to wherever on the globe they can earn the higher return. Poorer nations attempt to lure capital with the promise of low wages, low taxes, and negligible environmental and safety standards. This method indeed attracts capital but it is unlikely to result in a high standard of living for the citizens of the nations that order it. To the contrary, it puts that nation in direct competition for investment with regions of the world willing to accept even lower wages and standards, and it reduces tax revenues that might have otherwise been invested in education and infrastructure in order to reverse this bidding down process. The only way to attract global capital while maintaining or increasing living standards is to offer a highly-competitive workforce, a world-class infrastructure, and a solid base of scientific and technological competence (Reich, 1998, p. 2).

The United States is caught up in a vicious cycle. Despite the evidence, the largest and fastest-growing capital expenditure in state budgets has been the construction of prisons (Reich, 1998, p. 4). Infrastructure, research and development, and education and training, meantime, have declined as a percentage of GDP and as a percentage of public budgets.

There is an important distinction between spending and investment, and the difference is the same in both the private and public sectors. Spending does not increase future productivity—only investment does. When government funds criminal justice, for example, those dollars are consumed here and now. But when government funds primary and secondary school education or the building of roads and bridges, it enhances the capacity of our citizens to be productive in the future.

Reforming Public Budgeting and Accounting

Politicians are able to get away with this abdication of their public responsibility to invest in infrastructure partly due to their refusal to reform public accounting systems in a manner that clearly spells out investment spending versus consumption spending. Investments, however, are the fuel that over the long run permits consumption spending by generating greater revenues. Stated differently, over the long term, investment spending assists consumption spending. It permits the nation to keep future commitments to programs such as Social Security. If a nation fails to invest sufficiently for the future well-being of the economy, consumption begins to deteriorate because of declining tax revenues. This begins the vicious cycle of decline.

The key to this nation's future depends on whether or not it invests in that future. The failure to invest helps explain why we have an "excess" labor force, the growing inequality of income, and the financial starvation of our public consumption programs. In view of the importance of investing to the nation, the following actions are proposed:

1. *Cost the various amounts of capital that each government is responsible for and apply a maintenance schedule.* This approach was first recommended by Gregory (1992) and then by the National Accounting Standards Board in 1999 (Gregory, 1992, pp. 43-45; New York Times, August 15, 1999). It makes the responsibilities clear for anyone to read and it would provide an indication of exactly how much money is involved in maintaining our public capital stock. Any government that fails to keep up with the maintenance schedule would be given an audit exception until such time as the exception is cleared up. This would force the

political system to confront the long-term implications of decisions. This seemingly technical change in the manner in keeping the public books would, in fact, exert the greatest amount of leverage on politicians to assume their responsibilities.

2. *Define infrastructure broadly.* The infrastructure needs of a modern, competitive economy are more complex and diverse than in earlier periods. The definition of infrastructure should be broad enough to include the full range of infrastructure needs. Land clearance in a city like Detroit, for example, where the population was once 1.9 million and is now half that size could be a major boost to the region's economy. Land clearance could make way for modern industrial parks that would provide jobs for a population sorely in need of them. Modernizing currently vacant buildings would provide sufficient office space for new and existing ventures.

3. *Infrastructure and public works investments are too important to be left in the politician's hands.* A federal body should be established, similar in stature and authority to the Federal Reserve Board, to make investment decisions according to what is best economically for the country. This board would be funded with the current dedicated revenues that go to infrastructure and additional appropriated funds as needed. A national petition drive could be undertaken to assure that this happens. The notion of taking public investment out of the political system is not unprecedented. The National Resource Planning Board (NRPB), the only official planning agency in the history of the federal government, issued a report in 1943 calling for a "shelf" of public works projects. The goal was to have the government

draw upon this shelf of projects when economic conditions warranted. The projects were to be designed by nonpartisan experts and hence insulated from congressional politics. For the plan to succeed, they believed, it must be insulated from pork barrel and other forms of corrupt politics. Congress found the report so distasteful that it abolished the agency a few months later.

4. *Create an investment budget.* Public budgets should be analyzed on the basis of two components: consumptive spending and investment spending. In the popular language of public budgeting, most items are "investments." However, a true investment budget should define investments along a continuum. At the lower end of the continuum are capital projects with little or no direct relationship to economic growth. Such projects as university athletic facilities and auditoriums would fall into the lower end of the continuum and thus not be included in the investment budget. At the highest end of the continuum are those outlays designed to directly enhance the nation's public infrastructure, productivity of the private economy, and our future economic well-being. These projects stand the best chance of attracting private investment dollars. Only this budget may borrow money because of the nature of the budget—to invest for a return on America's future.

5. *Create a separate consumption budget.* Spending on items that offer no future payoff, such as welfare, criminal justice, and farm price supports, should be limited to the amount of taxes realized in a fiscal year. It would be a balanced budget.

6. *Create a separate Social Security budget.* Spending for retirees would be

limited to Social Security taxes. Whether the system should be made more progressive and whether it should be financed on a pay-as-you-go basis can be debated within the system. The notion of privatization could be achieved on the basis of the collective nature of the program, not individual accounts. When there is a shortfall on funds it would be settled within the system; there would be no raiding other budgets nor should other budgets be able to raid it.

7. *Spend countercyclically.* The investment budget could be timed to spend more on planned infrastructure projects during slack economic periods. Bunching expenditures—advancing the expenditures for already planned projects to a period when the economy is slumping—makes good fiscal and economic sense (see Gregory, "Investment Budgeting," 1992, for a fuller discussion of bunching).

8. *Make the distinction that investment dollars are public dollars and thus should be used for public purposes.* The major objective is to achieve full employment through public investments. Although a full employment of investments would benefit contractors and labor unions both in the short and long run, they should not have complete authority over hiring. The purpose is to provide job opportunities for those who would otherwise be shut out of the labor market. It is only through governmental authority that this goal can be achieved. These are public dollars and should be used for public objectives.

Budgets are a numerical accounting of the nation's priorities. Budgets may also be considered political documents that express the true course of policy in the nation. But under current budgeting arrangements, politicians are able to mask their actual priorities while merely manipulating symbols to the public. Budgets should be straightforward, clear, and precise. When the public wants to learn the real costs of prisons versus alternatives to prison, it should be able to find the information in one place. For example, we have had a series of "education" presidents but at the same time real resources allocated for education have declined. We have had a series of "get tough" politicians who, at the same time, conveniently overlooked less costly—more effective—alternatives. Budgets should also spell out spending on different areas as a percentage of GDP and as a percentage of total spending. It is through these reforms to the budget process—which lies at the heart of the political process—that we can begin to hold politicians accountable. The National Accounting Standards Board (NASB) has recently mandated that such changes occur at the state and local level and, as expected, many governments are resisting. These standards should be implemented at the federal level as a form of "truth in public budgeting" program. This would be a start to holding politicians accountable.

How Does the Plan Address Social Security and Criminal Justice?

Investment budgeting deals with Social Security by addressing the other side of the equation—the number of people paying into the program. With more workers and steadier wages the projected shortfall in Social Security should all but disappear. The greater productive capacity created by these investments should lead to a private investment boom in this country that would turn a potential deficit into a major surplus. One of the many benefits of increased productivity is the ability to keep our future commitments to programs such as Social Security both through creating jobs now and creating even better ones in the future.

As a nation, we must begin to hold our politicians accountable, and we should start by demanding an investment budget. It is with an investment budget that we can truly begin to implement Keynesian economic concepts. The investment budget, for example, could run deficits when needed and surpluses in good times and build for a more secure and inclusive future all of the time.

For the first time in our history, we would be practicing true Keynesian economics rather than some debauched neo-Keynesian version of it. We would, for the first time, pay attention to public investment as a means of assuring future productivity and growth. The improved evaluation methods would focus on these desired economic and social outcomes and be fully integrated into the decision-making process. In that fashion, the capacity to make economically sound and productive decisions will be enhanced.

Our current criminal justice system punishes—period. There are no redeeming qualities in our system of sanctions. Rather, politicians designed the punishments for political, not substantive, purposes. They were designed for narrow, opportunistic purposes, not public purposes. It is a response to the protesters of the 1960s by meting out imprisonment for non-violent offenses in vast numbers rather than inclusion in our social and economic system. The objective of the criminal justice system has changed from crime control to population control—but who told the public? The consequences of this new criminal justice objective must be plainly stated. Our political class cannot do this, however, for if they did, the public would be astonished—astonished at the waste of finite taxpayer dollars and astonished at the economic and human waste.

Millions of non-violent offenders whose lives have been scarred will someday leave prison worse off than when they entered. The net result of the drug war will mean a population with less opportunity and little hope of ever entering the economic mainstream. As a nation, we cannot feel safer because that was not the objective of our policy makers. This, nevertheless, is what the public was told. Our policy makers have manipulated the situation by having the public believe that crime was worse than it was. They have manipulated the public by telling them that their money was needed to lock up violent predators but instead locked up non-violent offenders. We are, in fact, doing a poorer job than we in the 1960s in capturing violent offenders. The political class has employed symbolic politics and it is the public who is paying the costs—not only the human costs of imprisoning hundreds of thousands of non-violent offenders, but the economic costs of this misdirected policy as well.

It is necessary that this nation take fundamental measures to change this direction. Such a new course would reduce symbolic manipulation, and hold the political class accountable for its actions. One method of holding them accountable is through the investment budget. The second measure would hold them accountable for the decisions they make about criminal justice. In other words, we must take steps to minimize the fooling of the public. The costs of our imprisonment policy should be detailed in one place in the budget as well as the costs of alternatives to prison. Under this approach, costs such as capital outlay for prison cells, medical treatment of prisoners, and prison operating costs would be detailed in the same location. Currently, we scatter these items in several parts of the budget, thereby making it difficult for professional analysts to determine total costs of our policies. If professional analysts have difficulty in determining total costs, what can we expect of the media and the public?

The second measure that should be undertaken is a return to depression economics, that is, we should form a national WPA. It would be for every person needing a job, not just non-violent offenders. And, there is no better place to start than with our vast public infrastructure needs. A part of the day would be spent on infrastructure work and another part of the day on job training, drug counseling, and learning personal finance. The large number of vacant schools and other vacant properties could be rehabilitated and put into use for this task. Those convicted of non-violent offenses would live in a supervised setting in these newly rehabilitated buildings, and not a prison cell. In this fashion, they would be away from home but remain in their communities.

Under FDR's WPA, the goal was to provide employment at a time when those needing jobs already had a work history. The goal of the new WPA, by contrast, is to break the culture of poverty by providing jobs and training for those who have little work history and few work habits. Many of the "teachers" would come from those on Social Security, thus changing a "burden" into an opportunity.

The senior citizen population has a lifetime of experience and knowledge. Putting this experience and knowledge to work in uplifting those less fortunate would be a major contribution to our economic and social system. Compare the cost of this approach to the nearly $40,000 (including capital outlay) per person that we spend on prisons. The choice is clear.

Our prisons could then be freed up to house only those convicted of violent crimes. The savings would come from a reduced prison population and also reduced welfare costs. At the same time, the nation would be building its way to a future that is more secure than it is today. Private capital would eventually flow into this system because of the modern, efficient nature of our infrastructure. Would this proposal end crime? No, it would not. Would it reduce crime? Yes, it would. Research has consistently revealed a strong correlation between rates of unemployment and underemployment and the rates of crime. The public investment program would finally be acting on this finding. Would it reduce it substantially? We will never know until we try. One thing is certain, however; that is, we will finally be responding to the protests of the 1960s. If we could do that, our obligation as a nation to its citizens would be met. A tough approach to crime would be legitimate because our obligations to provide employment had been met. If a person commits a crime after that, it is solely his or her responsibility.

Recommendations for Future Research

The research has attempted to show that the role that symbolic politics plays in our system, at least on the major issues, has changed significantly over the years. It has gone from "symbolism supporting substance" to "symbolism supporting opportunistic goals." The evidence has borne out this notion, but much further research needs to be undertaken to verify the findings.

The situation may have been that symbolism supported selfish ends all along with the exception of the one major crisis in our nation's history—the Great Depression. But we are witnessing major, if not revolutionary, changes both in Social Security and criminal justice. In the case of Social Security, the public believes that a crisis exists because certain politicians have mislead them for so long. It is a classic example of how to turn a technical problem into a social problem. In criminal justice, we have abandoned rehabilitation as the foundation of our sanctions policy. Instead, we have turned to imprisonment but without any type of empirical support to justify the shift. The government has spent billions of dollars to build and operate prisons without investing a dime in this population.

It is the radical nature of these shifts that reflects a fundamental change in the nature of symbolic politics. This radical nature reflects the position of the working class in our society. The evidence presented here indicates that the economic elite won the class struggle at all junctures. All of the changes in old-age retirement reflect the needs of the elite rather than the working class. The working class "won" only when it was in the interests of the elite.

Tynes (1996) has viewed this phenomenon in more general terms as "organizational persistence", that is, the survival of various organizations over time permits them to continue lobbying for their cause (p. 22). It was organizational persistence that permitted business interests to have a positive effect on the system. Tynes was incorrect, however, when she indicated that business was against the adoption of the 1935 old-age insurance plan. Welfare capitalists welcomed the nationalization of the costs of their private pension plans. The adoption of this program was the culmination of an effort by business to level the competitive playing field with the so-called laggard companies that refused to provide private pensions. It was certainly not a victory for the working class, except symbolically.

Many others have missed this point, including Berkowitz (1991), Schlesinger (1960), and Skocpol & Orloff (1984). The original victory by business is important in that it completes the string of victories for the elites. It also guides my recommendations for, if business and the elites have this type of influence, the strategy for working class victory must use that influence rather than fight it. The working class can win by appealing to the good government notions of accountability through budgetary reform and public investment in the infrastructure. The working class can manipulate the symbols of accountability and investment in much the same fashion that the elites have manipulated symbols against working class issues. In this revolution, the path to victory will depend on the shrewd use of symbols.

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