INTRODUCTION

In the world of modern welfare states, American social policy is often described as “exceptional.” Social Security, however, is the exception within the exception. Although the American welfare state is a fragmented system in which “residual” public policies tend to supplement—and compensate for the lacunae of—private benefits,[1] Social Security stands as a quasi-universal and comprehensive social insurance scheme. Even though personal savings and private benefits play a significant role in the field of old age security, the federal social insurance program created in 1935 still represents the most central element of America’s retirement system.

Covering the vast majority of American workers,[2] the popular Social Security program is widely perceived as the “third rail of American politics” (touch it and you die). Yet, as in most advanced industrial countries, a debate over the future of Social Security has been raging in the United States since the late 1970s.[3] Although the American demographic situation is more favorable than the one prevailing in many of those other advanced industrial countries, conservatives have long argued that pay-as-you-go (PAYGO) pension systems such as Social Security are financially unsustainable and that a restructuring of that program is necessary. Depicting Social Security as unfair toward young workers and future generations, conservatives assert that Social Security should become a fully funded system in which workers would contribute to personal savings accounts. Labeled as Social Security privatization, such a shift from defined-benefit to defined-contribution pensions would constitute a radical change in the structure of the program. Despite the fact that the “double payment” problem—workers must pay for current pensions while putting money aside in individual accounts for their own pensions—would complicate the implementation of full Social Security privatization, a *partial* shift to individual accounts is possible, and in recent years, countries such as Sweden have opted for that model.[4]

Underlining the long-standing popularity of the program and the risks associated with Social Security privatization, many experts and politicians firmly oppose this proposed policy alternative. For them, Social Security is a great program that protects the large majority of the workforce *and* reduces poverty among the elderly. Furthermore, defenders of Social Security argue that it offers defined-benefit pensions that better protect individuals against economic insecurity than defined-contribution savings schemes, depicted as vulnerable to ill-advised investment choices and stock market downturns. From their perspective, carving personal savings accounts out of the existing program could prove especially detrimental to women, African Americans, and other minorities who are more dependent on Social Security for their retirement support than are middle-class white males. Proponents also argue that higher administrative costs inherent to individual accounts could penalize workers, especially those with low incomes.[5]

Using this debate as a starting point, this book has four main, closely related, objectives. First, it reconstructs the political history of Social Security in order to show how this program has changed as an issue over time, and it sheds light on the current debate over Social Security privatization. Second, it offers new comparative insights about this history that could improve our understanding of the current debate. Third, it formulates an original theoretical framework that underlines the relationship between ideas and institutions in policymaking. Finally, the book draws on this theoretical framework to discuss the potential impact of gender and race in Social Security development.

History and the Debate over Social Security Privatization

A stimulating way to understand current policy debates is to take a long-term historical perspective and look at how a specific program emerged and developed over time. As scholars such as Paul Pierson have demonstrated, timing and historical sequence impact policy outcomes. Social programs create specific economic logics and political constituencies that have an effect on future reform attempts.[6] Furthermore, the structure of these programs affects the way in which reform is conducted. Finally, path dependence shapes policy ideas as well as institutions and programs. Knowing the arguments that were used to justify the enactment and the expansion of Social Security contributes to our understanding of the contemporary debate over privatization as policymakers borrow from a relatively stable ideological repertoire in order to promote specific policy alternatives. As I show, the rhetoric advanced to support Social Security privatization today is strikingly similar to the one used in the past to legitimize federal social insurance. Because the American ideological repertoire is centered on individualism and self-reliance, there is little room for discourse about social solidarity in the field of social policy reform.

Comparative Insight

Most books dealing with Social Security history in the United States contain little reference to the experience of foreign nations in the field of pension reform.[7] Although exceptional in many regards, the American situation is commensurable to the one prevailing in other advanced industrial countries, and studies have shown that one can gain crucial insight from comparative research on welfare state development.[8] The comparative data discussed throughout this book underline both the common international features and the peculiarities of American Social Security history. On the one hand, Social Security is a pay-as-you-go program grounded in the same institutional logic as other public pension schemes. On the other hand, the exclusion of labor and business officials from the management of Social Security and the individualistic discourse used to legitimize the program constitute original traits that contrast with the situation prevailing in other advanced industrial countries such as Canada, France, Germany, Sweden, and the United Kingdom. This book draws upon the existing comparative literature on social policy in order to place Social Security history in a broad international context.

Ideas and Institutions

Since the beginning of the 1980s, historical institutionalism has emerged as one of the more influential theoretical perspectives in social sciences and public policy studies. Imagined as an alternative—and sometimes as a supplement—to approaches focusing on economic development, class inequality, and cultural values, historical institutionalism is grounded in the assumption that political institutions and previously enacted public policies structure the political behavior of bureaucrats, elected officials, and interest groups during the policymaking process. Although insightful, this approach tends to relegate policy ideas to the back of the theoretical burner when dealing with welfare state politics. This underestimation of the policy impact of ideas is detrimental to our understanding of social policy reform and, especially, Social Security politics. Here, I develop a theoretical framework about the role of ideas that improves the explanatory power of historical institutionalism while helping students of public policy grasp how and when ideas matter in social policy reform. Tied to existing policy legacies, perceived social problems mesh with policy alternatives grounded in specific paradigms. During the 1930s, for example, a paradigm rooted in fiscal conservatism guided the elaboration of the federal old age insurance program. When stressing the "need to reform" and promoting new policy alternatives, politicians and reformers frame the issues while drawing on the common ideological repertoire available in their society. For example, references to personal responsibility and self-reliance are often called on to justify social programs in American society. The ability to successfully construct policy issues within traditional ideological frames is a major aspect of the political process, before, during, and after the legislative moment.

This history of Social Security is thus structured by theoretical insight about the relationship between ideas and institutions in Social Security development. This close articulation between theory and history has two consequences. On the one hand, by recognizing that institutionalist arguments are relevant to the analysis of Social Security reform, my analysis shows how a more direct and systematic discussion concerning ideational processes can shed an interesting light on the program's fate. On the other hand, reconstructing the long-term history of a major program like Social Security is an excellent way to show the insightfulness of the amended historical institutionalist approach put forward in Chapter 1.

Race and Gender in Social Security History

Since the late 1970s, the academic debates about Social Security and, more generally, American welfare state development have increasingly focused on two issues neglected in traditional academic debates: race and gender.[9] Although distinct, these two issues refer to the impact of prejudice against specific segments of the population that have long been subject to discrimination. Moreover, these issues are directly related to the role of ideas and institutions in policymaking, because arguments about race and gender deal with the way beliefs shape policy outcomes and the way formal institutions condition the mobilization of political actors involved in the struggles over prejudice and discrimination. Drawing on the growing literature on race and gender in the United States (which will be discussed at the end of Chapter 1), the following chapters discuss the potential impact of these two factors on Social Security reform. This is especially crucial because traditional histories of Social Security seldom cover these factors in a comprehensive manner.

Regarding these two related issues, the main argument of this book is that gender is more important than race in understanding the political history of Social Security. Gendered forces can be seen to have impacted major Social Security provisions. For example, the spousal benefits enacted in 1939 were grounded in traditional assumptions about gender and family roles. Although changes have been enacted since the 1970s to remove discriminatory elements of the Social Security Act, the current structure of Social Security family benefits is an undeniable legacy of the 1939 reform and the gendered ideas that were dominant at the time. In contrast, there is no direct evidence that racial prejudice and the related mobilization of southern Democrats shaped key features of the Social Security program. Of course, this does not mean that race is *never* a significant factor in welfare state development: substantial variations exist from one policy area to another, and as will be shown, there is evidence that race has had a more direct impact on welfare reform than on Social Security politics. Nevertheless, the argument put forward here is that race has not carried much weight in Social Security history and that overall, Social Security has remained largely isolated from racist efforts aimed at excluding African Americans from civil rights and economic security. What has been labeled as the effect of racism in Social Security politics frequently refers to business power, which fluctuates over time. Paradoxically, the current debate over Social Security privatization features race in a prominent manner: both camps make *reference* to race in order to justify either the preservation or the restructuring of the program. Like gender, race has now become a significant aspect of the debate over Social Security's future. This fact illustrates the enduring weight of identity politics in contemporary American society.

Plan of the Book

Although this book is grounded in a systematic analysis of both primary and secondary sources, the emphasis is on specific theoretical issues and comparative insights. Because timing and historical sequence matter, the program's history is reconstructed in a mostly chronological way. Theoretical discussions are integrated with the historical narrative, and their scope is limited to increase the clarity and the conciseness of the text.

Chapter 1 formulates the theoretical assumptions structuring the empirical analysis that follows. Drawing on the distinction between societal and institutional accounts, the chapter begins with a critical survey of historical institutionalism, a useful approach to the politics of social policy reform. Yet the chapter shows that an understanding of policy change must integrate a more systematic analysis of the role of ideas in policymaking. This critical remark leads to an extended discussion concerning the potential influence of ideas on social policy development. The final section underlines the specificity of Social Security politics before discussing the literature on gender and race in a section that shows how the study of these two factors is compatible with the general institutionalist approach formulated here. Readers who have little interest in theories of policymaking and welfare state politics may choose to begin reading at Chapter 2 and return to Chapter 1 later, if necessary.

Chapter 2 looks back to the debate over pension policy in the three decades preceding the enactment of the Social Security Act in 1935.

The chapter discusses the impact of political institutions and policy legacies on social reforms debated during the Progressive Era and the 1920s. Then it shows that, although pension reform emerged relatively late on the national reform agenda, the actual timing of these debates would stimulate the development of old age security after 1929. By the time the Great Depression struck the nation, pension reform had become a central policy issue that state and federal politicians could readily promote as a response to the depression. An example of the impact of policy paradigms on historical sequence is the fact that the social insurance paradigm associated with the American Association for Labor Legislation delayed the appearance of a large pension movement in the United States.

Chapter 3 analyzes the enactment of the 1935 Social Security Act. What is fascinating about this omnibus legislation is that it created a measure that had seldom been discussed before 1934: old age insurance. As I argue, the conjunction of five specific factors explains the emergence of this unexpected federal measure: (1) the dramatic impact of the Great Depression, which created the apparent need to expand the scope of federal social policy; (2) the advent of the Townsend Plan, which helped maintain pension reform on the federal legislative agenda; (3) President Roosevelt's well-documented obsession to develop a social insurance scheme as an alternative to both social assistance and the fiscally unsound Townsend Plan; (4) on the policy legacy side, the limited development of private pension benefits as well as the absence of old age insurance at the state level; and (5) the relative disinterest in old age insurance among the policy elite, which allowed the president and the Committee on Economic Security (CES) considerable autonomy in shaping the legislative agenda in that specific policy area. Paradoxically, the social insurance paradigm tied to President Roosevelt transformed ideas and techniques stemming from the private sector into political tools aimed at securing the survival of the federal old age insurance program in a potentially hostile political environment.

Despite the autonomy of the presidency in formulating the basic goals and features of Social Security, Congress did reduce coverage through the exclusion of specific occupational groups in which African Americans were overrepresented. Yet there is no direct evidence that racial prejudice—through the possible influence of southern Democrats—explains the significant reduction in coverage enacted in Congress: saying that a measure disproportionately affected African Americans does not necessarily mean that discrimination and prejudice were at its origin. Most people excluded from Social Security during the legislative process were white, and administrative concerns, not pressures from southern Democrats, were the explicit origin of the—temporary—exclusion of agrarian and domestic workers from Social Security.

Chapter 4 studies the development of Social Security from the late 1930s to the early 1970s. The 1939 amendments, grounded in traditional gender roles, shifted the program's logic toward PAYGO financing and income redistribution. Yet, in order to preserve the paradoxical compromise embedded in the 1939 legislation, political actors never acknowledged the scope of this paradigmatic shift. After World War II, Social Security Administration officials took an active role in shaping the reform agenda through their domination over social policy expertise. Nevertheless, despite the role of bureaucratic forces traditionally stressed in research about postwar expansion, five other factors are probably as crucial as bureaucratic mobilization in explaining why Social Security expanded to become the largest program of the federal social policy system: (1) the development of private pensions, which contained potential business opposition to the program in the context of "pension integration;" (2) the nature of American political institutions that make bold reform, outside of rare episodes of sudden change, unlikely; (3) favorable actuarial and demographic conditions that made benefit increases possible without massive and immediate tax hikes; (4) the enactment of the 1950 amendments, which favored the emergence of larger constituencies militating against path-shifting reforms such as a "flat pension"; and (5) the postwar liberal consensus and the advent of New Republicanism under President Eisenhower, which marginalized radical opposition to Social Security, even within the Republican Party. Facilitated by interest group mobilization and "credit-claiming" strategies in Congress, these developments culminated during the Nixon administration with changes in actuarial assumptions and with increased electoral competition between the Democratic Congress and the Republican presidency that, in turn, fueled the program's sudden expansion.

Chapter 5 discusses the politics of Social Security reform from the mid-1970s to the mid-1980s. During that period, the United States became one of the first advanced industrial countries to implement significant cutbacks in its public pension system. At a time when countries such as Canada and France were still debating the need to expand public pension provisions, the United States witnessed a shift from the politics of expansion to the politics of cost containment and retrenchment. As a response to the advent of a short-term “fiscal crisis” in Social Security, federal officials attempted to reduce benefits and increase revenues while avoiding a massive electoral backlash against themselves. This chapter covers the genesis of the 1977 and 1983 amendments to the Social Security Act and show that these legislative reforms were enacted in a context during which the need to reform the program seemed obvious, at least from a financial standpoint. Yet this “need” never translated into significant policy shifts, and Social Security survived the era of “fiscal crisis” despite some notable reduction in benefits.

Notwithstanding the absence of short-term fiscal crisis during the 1990s, exceptional stock market performances and conservative mobilization gradually pushed the issue of Social Security privatization onto the federal policy agenda. In that context, conservative experts and political actors interested in restructuring that federal program in the sense of a new financial paradigm exploited various aspects of the American ideological repertoire in order to convince individuals, as well as interest groups, that Social Security privatization was the only and/or best option available to guarantee the economic security of future retirees in a manner consistent with “American values” and the financial logic of contemporary capitalism.

As Chapter 6 shows, the term *privatization,* as applied to Social Security, is potentially misleading because most restructuring proposals debated today do not imply an abolition of the payroll tax or the government’s central role in retirement policy. In fact, the chapter demonstrates that the issue of Social Security privatization has been paradoxically framed as an attempt to “save Social Security” by transforming its very nature. Demographic pessimism and a discourse centered on personal and collective gain have been used to undermine the institutional legacy of the New Deal and to restructure Social Security in a manner coherent with economic individualism and the financial logic of capitalism. Ironically, the individualistic rhetoric previously used to depict Social Security as a truly American program has been mobilized against it in the name of personal savings and financial gain. This shows that the very same frame can justify conflicting policy alternatives and that individualistic representations are still dominant within the American ideological repertoire.

Finally, the afterword offers a comparative perspective on President Bush's failed 2005 campaign to privatize Social Security. Drawing mainly on the British experience, this comparative discussion offers further insight about the relationship between ideas and institutions in Social Security politics.