Imagine we are all 30 years older. The year is 2031. Instead of 40 million Americans receiving monthly income from Social Security and health care through Medicare, there are now 80 million. Imagine the value of the dollar is one-third less than it was in 2001 and that health care delivery is almost completely through drugs and biologicals. Except for trauma centers, hospitals are obsolete. The 401(k) program has made fully-funded company pensions a thing of the past. Are Social Security and Medicare ready to fill in the gaps?

Today, satisfaction levels for both of these programs are at an all time high. Yet, many are skeptical that Social Security and Medicare can keep pace with changing demographics and changing demands. Currently, Social Security and Medicare are in good financial shape. Neither program faces a critical funding crisis for the next thirty years. Financial reform is necessary, but there is no consensus for reducing benefits or raising taxes to fill the coming gaps. More and more, public discussion has turned toward privatization of both programs as a way of reform.

Social Security and Medicare, Individual versus Collective Risk and Responsibility is a collection of presentations about privatization of Social Security and Medicare at the National Academy of Social Insurance’s 11th annual conference in 1999. As Sheila Burke, who co-chaired the conference with Eric Kingston and Uwe Reinhardt, said, “We are for the first time in a very long time, driven by long-term, rather than short-term, crisis” (1). The conference presenters were a veritable “who’s who” of Social Security and Medicare, including legislators, academics, and practitioners. They debated the concept of privatization, and tilting Social Security and Medicare from a defined benefit toward a defined contribution model. While the concept of privatizing may be seen as revolutionary to many, the discussion is critical. As Benjamin Page points out, “Social Security is a highly visible, hotly contested issue. We should expect any and all policy changes to be scrutinized closely” (193).

Both the proponents and opponents of reform through privatization expressed compelling views:

Former Congressman Bill Gradison: “There are a lot of young people out there who are skeptical that they will ever get anything out of Social Security. They are wrong, but there are many people who have that belief. They might feel more secure if a piece of their account were their own—vested, theirs” (213).

Senator Ted Kennedy: “Suppose a worker who spent 40 years in physically strenuous jobs reaches retirement age during a bear market? What will we tell him or her—‘You have to keep working until the bulls return to Wall Street’?” (129).

Senator John Breaux: “Medicare covers only about half the current health care costs of today’s beneficiaries, with seniors paying an average of $2,000 out-of-pocket each year on health care” (136). We have to design solutions by reforming Medicare to meet its four structural problems, “the four ‘Ts’: Insolvency, Inadequacy, Inefficiency, and Inequity” (135).

Robert Reischauer: “Much of the discussion of the advantages of reforms with increased participant choice has been carried on as if the average participant in the Social Security and Medicare programs were a college-educated individual with the computer and Internet dexterity of a Silicon Valley teenager…. This caricature, of course, is far from the real world. Many workers have little interest in exercising control over their retirement accounts or choosing among a variety of complex health plans. As Arthur Levitt, chairman of the Securities and Exchange Commission, pointed out in a speech at Harvard University, many have little experience with or knowledge of financial matters. Most retirees have had their health plans chosen for them by their employers. Others have delegated all financial and health coverage decisions to a spouse who may be deceased. Some, particularly those over eighty, are cognitively impaired. This suggests
that any reform that introduces participant choice must be accompanied by a massive education and counseling effort” (27).

Theodore Marmer: “The argument cannot be that we cannot afford Social Security pensions. It has to be that we have some disagreements about who should get what, under what auspices, what degree of private risk there should be, and what degree of collective risk spreading there should be” (72).

Stuart Butler: “This is not a question of being either ‘for’ or ‘against’ social insurance” (73), but about the scale of social insurance. “I would take the view that even if we had a situation where the fiscal integrity of both Social Security and Medicare was as sound as far as the eye could see, we should still be talking about fundamental changes and reforms” (73).

If I had one concern about the presentations, it would be that the costs of privatization were not discussed. As a practitioner, I have always been proud to say that in my work, I help people to get their health care, or to get their Social Security. I am equally proud to say that I have worked for government agencies that operate these programs at a level of efficiency unheard of in the private sector—administrative costs at less than 1 percent of program payouts. The administrative burden of shifting to privatized accounts in both Social Security and Medicare and the record keeping costs associated with such a shift often are not part of the discussion, but should be.

As the editors reflected in their introduction, “This conference, by design, raised more questions than answers. The answers are going to ultimately reflect the public’s values and recognition that this set of programs is more than taxable payroll and benefits, but implies some type of moral commitment and a sense of obligation to each other as a people. Different views of what that means need to be discussed—arguably, explicitly. While we may never truly settle all the questions raised, it is important to have the conversation to which this conference contributed” (xii).

The editors have certainly succeeded in their goal. They have condensed the views of many of our Social Security and Medicare leaders over the past 30 years into a highly readable book that will guide us through the upcoming reform debates.