

DECEMBER 20, 2004

ECONOMIC VIEWPOINT

# A Social Safety Net For The 21st Century

**Bush could set off an overhaul as important as the New Deal**

If I were asked to write President George W. Bush's Jan. 20 inauguration address, I would focus on what I believe was his most far-reaching Presidential campaign commitment. "The changed world can be a time of great opportunity for all Americans," he said at the Republican National Convention in August. "And government must take your side. Many of our most fundamental systems -- the tax code, health coverage, pension plans, worker training -- were created for the world of yesterday, not tomorrow. We will transform these systems."

I like that simple but profound thought. It reflects American values of individualism and self-reliance. It embodies an optimistic view of what effective government can do, rather than implying, as Bush has often done, that economic growth will solve all problems. It says the welfare state is ending and that something positive must replace it. It acknowledges the need to deal with diminishing job security, including fraying commitments between companies and their employees and retirees, as well as the disruptive impact of millions of workers entering the global market from China, India, and other emerging markets.

**THE BIG ISSUE, OF COURSE**, is how to design the right policies. And here many of the Administration's ideas fall short. True, some of Bush's prescriptions, often contained in his vision of an "ownership society," in which citizens have more control over their choices ranging from health care to workforce training, have promise. But these ideas must be linked to another concept the President has not promoted nearly enough -- a new 21st-century social safety net that gives people time and resources to adjust to change and provides protection against crises beyond their control.

In fact, before proposing a blizzard of new legislation, Bush should articulate the key principles that systemic change must embody. Here's a start: Reforms should not only benefit the rich but have a concrete payoff for the middle and poorer classes. They should be fair to the young and old alike. They should force individuals to take more responsibility for themselves. They shouldn't increase the already exploding fiscal deficit.

For example, the Administration's support for health savings accounts, while potentially valuable, is only a modest innovation in the context of extensive health-care reforms necessary to reduce costs and widen coverage. One example is to have government carry more of the burden for catastrophic coverage. Expanded options for tax-free retirement savings are a good idea. But they should be offered not as a partial privatization of Social Security, with its staggering \$1 trillion to \$2 trillion of transition costs, but in addition to a reformed Social Security system in which payouts have been brought in line with revenues by raising the retirement age and implementing a more conservative index to calculate benefits.

An overhaul of the tax system could help if it weren't directed only at wealthy investors but also helped Americans retool for new jobs by making some aspects of workers' training and lifetime education tax-deductible. Moreover, existing programs could be expanded, such as offering assistance not just for employees in manufacturing who are hurt by trade, as now happens, but for those in services too.

If the U.S. could better prepare itself for a hypercompetitive global market, that would not only enhance its strength as a society but set an example for Europe and Japan, both struggling with similar issues. By providing an alternative to protectionism, Washington would shore up support

for freer trade, too.

President Bush could stimulate a social transformation as significant in its implications as the New Deal was in the 1930s. Right now, however, most Americans are woefully uneducated about the benefits, risks, and responsibilities of relying on an increasing array of market-oriented and complicated personal choices. Although many Republican congressional leaders are clamoring for action, the President should engage the country in a more extensive discussion of these challenges before moving ahead.

I don't know how far Bush realistically can get before he becomes a lame duck. But if he succeeds only in building broad bipartisan support for the direction of the change the U.S. requires, he will have secured a very respectable legacy for himself and his party even without a lot of legislative accomplishments. I'm skeptical he'll be that balanced or patient, but I hope I'm wrong.

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