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THE OWNERSHIP SOCIETY

Social Security Is Only the Beginning . . .

L. RANDALL WRAY

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Preface

As his new term begins, President Bush has been trying to focus his domestic agenda on what he calls the "ownership society," a sweeping vision of an America in which more citizens would hold significant assets and be free to make their own choices about providing for their health care and retirement, and educating their children. L. Randall Wray, who has written for the Levy Institute on many topics, evaluates the premises and logic of this program in this new public policy brief.

Wray points out that much of the history of the Western world since the advent of liberalism has been marked by a gradual rise in the power of those who lack property. Some of the milestones in this progression include universal suffrage, regulation of business, and progressive taxation. Bush's ownership society proposals, according to Wray, would result in a partial reversal of the progress of the last 250 years.

The reason is that, while Bush's plans would undoubtedly increase the choices and power of those who have property, they would fail to democratize ownership. Many gains to the wealthy would come at the expense of the poor, the sick, and the elderly.

Consider, for example, the condition of the nation's private pension system. Increasingly, firms are switching from defined-benefit to defined-contribution plans. This development would seem on its surface to favor the establishment of a new class of stockholders, empowered and holding a larger stake in the system. But, as Wray demonstrates, retirement accounts and other assets just do not add up to a substantial amount for most Americans. This means that most citizens have much to lose indeed from attacks on Social Security and the erosion of the traditional pension system.

Much as the safety net for the poor has largely vanished since the Reagan years, the bread-and-butter benefits and rights of the middle class are now threatened by the ownership-society agenda. To many, the claim

made by Republicans that all should take responsibility for their well-being rings true. But it is important to keep in mind the real alternative to public benefits for the middle class: a society in which success would depend largely upon luck, inheritances, or charity. A society that forces individuals to read their future in their Microsoft Money files inevitably creates a class of nonowners who are insecure and lack independent means. Ironically, this runs up against the aims of those who sincerely hope for a world in which more have the opportunity to become rich: moving upward often brings some setbacks along the way, which might be fatal in a world of reduced bankruptcy protection, disability and medical benefits, and educational aid.

But Wray makes the case best himself. As always, I welcome your comments.

Dimitri B. Papadimitriou, *President*
July 2005

The Ownership Society

The Social Security debate has grabbed most of the headlines, but President Bush's attempt to reform that program represents only the opening salvo of the neoconservatives' plan to create what has been labeled "the ownership society."[1] Other "reforms" contemplated or already under way include tightening bankruptcy law, replacing income and wealth taxes with consumption taxes, transferring health care burdens to patients, devolution of government responsibility (while relieving state and local governments of the burden of "unfunded mandates"), substituting "personal reemployment and training accounts" for unemployment benefits, "No Child Left Behind" and school vouchers legislation, eliminating welfare "entitlements," bridling "runaway trial lawyers," transforming private pensions to defined-contribution plans, the movement against government "takings," and continuing attempts to hand national resources over to private exploiters. Hence, while Peter H. Wehner (Bush's director of strategic initiatives) recognizes that privatization of Social Security would "rank as one of the most significant conservative undertakings of modern times," the neocons have a full plate of other "ownership society" policy proposals (*Wall Street Journal* 2005).

What is an ownership society, and what do these proposals have in common? At first blush, it may not be obvious that attacks on trial lawyers, promotion of consumption taxes, and privatization of Social Security have much in common. But as we shall see, the theme common to all these proposals is the desire to create an ownership society. During the 2004 campaign, President Bush proclaimed: "The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country" (White House 2004). The centerpiece of his "Agenda" was the belief that "every American should have the right to own his or her home, to build his or her own future, and to have the flexibility

to make the decisions about their own health care and retirement." In addition, his "ownership" manifest included the promise to "fix Social Security," expand saving and investment through tax-free savings accounts, reform pension rules and streamline retirement accounts, endorse health savings accounts, repeal "death taxes," promote "affordable, reliable" energy, and "reduce the lawsuit burden." Taken together, the policy changes would encourage ownership and individual responsibility. While supporters hold out the promise that access to wealth will be broadened by the president's agenda, this brief will argue that such policies actually are likely to *increase* inequality, a point that undermines an important justification for proposed ownership-society programs.

Ownership, Responsibility, and the Role of Government

The supporters of the president's reform agenda claim that ownership promotes responsibility, good citizenship, active participation in society, and care of the environment. As the Cato Institute's David Boaz explains, "People who are owners feel more dignity, more pride, and more confidence. They have a stronger stake, not just in their own property, but in their community and their society" (Boaz 2005). Owners have a permanent stake in America that "renters" and transient "users" of resources do not.[2] Public ownership of resources, or public provision of services, encourages abuse—as in Garrett Hardin's "tragedy of the commons" (Hardin 1968)—and, worse, removes the incentive for individuals to behave in their own long-term interest. The uncertainty associated with relying on publicly owned and provided services arises from the fact that politicians can (and do) change the rules regarding access to them. This reinforces the short view and a lack of responsibility. Hence, only private ownership can empower individuals and provide the discipline and real freedom to induce Americans to take control of their health care, education, and retirement. "Talking with staff, Bush emphasizes that he wants to use these policies to move from an 'anything-goes culture' to a 'responsibility culture.' By giving individuals control of their own retraining, their own savings, and their own homes, he hopes to inculcate self-reliance, industriousness, and responsibility" (Brooks 2003). Americans can then respond efficiently to market signals and self-interest.

In an important sense, the policy transformation envisioned would remove most of the remaining vestiges of New Deal programs that were designed to protect Americans with little wealth *from* the market. Social Security is, of course, the most visible of President Roosevelt's legacies and therefore an obvious target of those advancing "the biggest political idea since the New Deal," as James Glassman puts it.[3] However, the ultimate goal of the most fervent "ownership" proponents is to loosen *all* public safety nets as well as *all* public management of resources. In their view, the primary role of government is to encourage ownership, and through this, individual responsibility, which is supposed to promote the interests of individuals as well as those of society as a whole. As we will see, proponents claim that "owners" are already in the majority, and that misguided government policy is a major barrier to ownership by society's downtrodden. Hence, the elimination of New Deal and other obstacles is supposed to democratize access to wealth. Implicitly, government is to operate in the interests of the owning class—a class that should expand as these reforms are implemented—which means that it may have to side with owners against the nonowning, "transient" classes.

This perspective has a long pedigree. The father of economics, Adam Smith, proclaimed: "Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all" (Smith 1937, p. 674). John Locke expressed the same sentiment: "Government has no other end but the preservation of property"; and Locke's editor quotes James Tyrell to the effect that the "main end of [government] is to maintain the Dominion or Property before agreed on" (Locke 1988, p. 329). Even clearer was Gouverneur Morris: "Property was the main object of Society. The savage state was more favorable to liberty than the Civilized; and sufficiently so to life. It was preferred by all men who had not acquired a taste for property; it was only renounced for the sake of property which could only be secured by the restraints of regular Government" (quoted in Nedelsky 1990, p. 68). This stance was advocated by other propertied framers of the Constitution, including the more moderate James Madison, who argued, "The first object of government is the protection of the different and unequal faculties of acquiring property."[4] While Madison also recognized the importance of protecting the rights of

people, he put the rights of property first, because he feared that in America the majority might tyrannize the wealthy few—that is, the best government would be one "ruled by propertied elites and insulated from direct popular control."[5]

In this view, property is not only the origin of society and the reason for government, but also a hallmark of civilization.[6] The push for an ownership society by President Bush and the neocons must be placed within this broad historical and ideological framework. Government policy ought to promote the interests of owners, who will act as responsible stewards of privatized resources, while protecting the owning classes against the nonowning classes, who tend to make excessive demands for entitlements and legal protection. The ownership-society movement represents a conservative reaction to what many see as the erosion of the rights of the propertied over the past two centuries.

The Agenda

To be sure, many of the elements of this agenda have been around a long time. In this section we will consider some of the major components of the strategy.

Social Security's opponents have waged battle continuously since 1935—although they did not achieve much success before 1983's huge tax hikes and the transformation of the program to "advance funding." I will not repeat my detailed analysis of the politics behind the current effort to "reform" Social Security (Wray 2005). However, it is worthwhile to quote from an internal memo authored by Peter Wehner in January 2005 that laid out the president's strategy on Social Security:

Subject: Some Thoughts on Social Security

I wanted to provide to you our latest thinking (not for attribution) on Social Security reform. I don't need to tell you that this will be one of the most important conservative undertakings of modern times. If we succeed in reforming Social Security, it will rank as one of the most significant conservative governing achievements ever. . . . Our strategy will probably include speeches early this month to establish an important premise: the current system is heading for an iceberg. The notion that younger workers will receive

anything like the benefits they have been promised is fiction, unless significant reforms are undertaken. We need to establish in the public mind a key fiscal fact: right now we are on an unsustainable course. That reality needs to be seared into the public consciousness. . . . (Wall Street Journal 2005)

After admitting that the favored plan to partially privatize Social Security through personal accounts would do nothing to resolve forecast financial shortfalls, the president has proposed eliminating wage indexing of benefits for all but the poorest Americans. As economist and *New York Times* columnist Paul Krugman has argued, the combination of private accounts plus elimination of wage indexing means that Social Security benefit payments to middle- and upper-income retirees would become a relatively insignificant source of retirement income in the future (Krugman 2005b). Over time, Social Security would be transformed from a program that provides important benefits for most Americans to one targeted to low-income retirees. As Krugman put it, this could "turn F.D.R.'s most durable achievement into an unpopular welfare program, so some future president will be able to attack it with tall tales about Social Security queens driving Cadillacs" (an obvious reference to a favorite anecdote associated with President Reagan), and "once a program is defined as welfare, it becomes a target for budget cuts." Recent polls confirm that the majority of Americans are not willing to impose benefit cuts on middle- and high-income households in order to protect the benefits of the poorest Americans.[7]

But Social Security privatization is just one ingredient of the envisioned evolution to an ownership society; and many of the other components have a long pedigree—the only thing that is new is the audacious scope of the agenda. Devolution of government responsibilities to the state and local levels began in the early 1970s, as did the metamorphosis of state and local tax payments from a "social responsibility" to a sort of "fee for service" transaction between taxpaying "stakeholders" and governmental "service providers" (Plotkin and Scheuerman 1994). Because the federal government chronically underfunded the devolved responsibilities, state and local governments focused their energies on satisfying the service requirements of their most influential constituency: the property-owning suburban middle class. At first, the federal government mostly overlooked

the failure to fund mandated programs for the disadvantaged. It now comes full circle, as it considers requests to exempt state and local governments from the "unfunded mandates."

Similarly, the "antitakings" movement in the West has long hindered the federal government from operating in the public interest, while the management of our nation's natural resources habitually pits private exploitative interests against public interests. In recent days, policy has shifted sharply to favor logging, energy, and mining interests, as President Bush overturned a Clinton-era rule protecting 60 million acres of federal forests from development. Now state governors must submit petitions to the U.S. Forest Service if they want to maintain the restrictions; otherwise, environmentally sensitive forests will be open to road construction. According to Representative Nancy Pelosi of California, "Early in his presidency, the Bush Administration announced their support for President Clinton's roadless rule. Since then, they failed to defend the rule from lawsuits of the timber industry, and in fact worked hand in hand with opponents to overturn the rule in court" (Doering 2005). In the days ahead, emboldened by Bush's perceived mandate, the administration is likely to open more wilderness to "ownership."

In the education arena, the voucher system has long been used as a carrot to encourage school privatization, while the "No Child Left Behind" policy—the latest version of the "stick" used to push children into private schools—threatens to reduce funding for the neediest, "failing" public schools. As proponents David Salisbury and Neal McCluskey define it: "By making primary and secondary education part of the ownership society, congressional Republicans would show that they trust parents to make the most important decisions about their own children. Moreover, giving people a say over where and from whom their children learn would do for K–12 education what personal Social Security accounts and health savings accounts would do for retirement and health care" (Salisbury and McCluskey 2005).[8] Subjecting education to market incentives and increasing parental responsibility will play key roles in creating the envisioned ownership society.

As mentioned, the neocon agenda includes a plan to "reform" pensions. Employers have already converted most pensions to defined-contribution plans, and the government has allowed corporations to raid the funds whenever equity markets perform well—while it is lax about forcing

them to make up the difference when portfolios do badly.[9] United Airlines recently defaulted on its pension commitments, having failed to adequately fund them over the past several years—even though its unions had advised management three or four years previously that the pensions were heading for insolvency (Corley 2005). Further, this comes after unions had already made concessions to keep United afloat. According to Zvi Bodie, former consultant to the Pension Benefit Guaranty Corporation (PBGC), United's default adds $10 billion in liabilities to the PBGC, which is already insolvent (based on future commitments) by some $23 billion (Bodie 2005). United's employees are particularly incensed because the PBGC will guarantee only $7 billion of the promised pensions, since it imposes a cap of $45,000 per year on individual benefits, meaning some retirees will lose between 30 and 50 percent of their pensions. Current employees will be switched to defined-contribution plans, subjecting their pensions to ownership-society market forces. Congress is considering legislation "that would allow major airlines to stretch out $20 billion in unpaid pension liabilities over 25 years," even as Delta Air Lines disclosed that it might also seek bankruptcy protection (Maynard 2005)—which might include defaulting on its own defined-benefit plan. In the interview cited above, Bodie hinted that an unnamed automaker (most likely General Motors) could be next, which would almost certainly mean the end of the PBGC and the safety net it provides for private pensions. Could this be another important milestone in the promotion of individual responsibility as envisioned by the proponents of the ownership society?

Workers who gave up wage increases for improved pension plans will be doubly subjected to "market forces," retiring with low lifetime earnings (hence, little personal savings) and underfunded employer-provided pensions. If "reformers" succeed, they can make that a triple threat by also removing the Social Security leg of the retirement stool. This is sold as a risk-reducing reform that will wrest control from incompetent or irresponsible politicians of the future, who might not pay promised Social Security benefits when they come due (Wray 2005). As a result, the supposed certainty of high market returns that compound interest guarantees, along with extreme reliance on Wall Street fortunes, will undergird the single leg of the ownership-society retirement stool.

The judicial decision that allows United Airlines to default on its obligations came soon after Congress tightened access to bankruptcy under Chapter 7. Constraining trial lawyers also ranks high on the neocon agenda, as this will force patients and consumers to take more responsibility for their own botched medical procedures, prescriptions for faulty drugs, and injuries suffered through the use of products with cost-minimizing design flaws. As Glassman (2005) explains, Americans are coming to "see their interests as aligned with businesses they have poured their savings into"; hence, trial lawyers are doing them a disservice with malpractice suits that reduce stock values and wealth. Restricting access to the courts would not only put owners in control but would also increase their accumulation of equity value! This is seen as a clear win-win in the battle to create a nation of owners while undermining legal protection and the "entitlements" that have impeded unbridled wealth accumulation and concentration. According to a report in the *New York Times*, supporters of the new legislation were "giddy" at the prospect of removing bankruptcy protection that dates back to 1898—indeed, the National Retail Federation issued its congratulatory statement to Congress *before* the act passed, assured that lobbying by creditors would guarantee victory for the ironically titled Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Labaton 2005).

Given that about half of all personal bankruptcies are due to medical costs, reducing bankruptcy protection can be seen as something of a precondition to "reform" of health care that would lay more "personal responsibility" on the American consumer, since the privatized health care system would otherwise be faced with exploding costs as uninsured patients sought relief from the courts (Labaton 2005). Indeed, the United States was already well on its way to reducing the tripartite health care "entitlements" represented by employer-provided health care, Medicare for the aged, and Medicaid for the poor.[10] Rapidly rising private health care insurance has caused employers to evade or shift costs. (It is estimated that General Motors pays $1,500 per vehicle for health care costs; see Krugman 2005c.) By 2004, only 6 percent of employers paid the premiums for health care coverage of their workers and families, down from 11 percent in 2000 (Freudenheim 2005). The average share of the annual premium paid by employees in large- and medium-size firms reached $2,800 in 2004,

up from $2,200 in 2003. The Robert Wood Johnson Foundation estimates that 20 million workers have no insurance at all (Krugman 2005a). The 2004 *Economic Report of the President* explains that "many of them may remain uninsured as a matter of choice," as "they are young and healthy and do not see the need for insurance." Hence, as the employer-paid portion of health care coverage declines and as the burden shifts to workers, more of them are "free to choose" to go without coverage—an essential component of the plan to create a society that promotes individual responsibility.

Medicaid is also under siege across the nation, as tight state budgets force cutbacks. Medicaid has become the single largest item in most state budgets, and nearly all states are trying to restrain its growth. Perhaps the best example is Missouri, which plans to cut 90,000 people from the Medicaid rolls (Morris 2005). Even low-wage workers with young children will be dropped, since the new maximum income limit is just $86 per week for a mother with three children. Missouri governor Matt Blunt argued that he had no choice, that the only alternative would have been to raise taxes, and he "[doesn't] know what is moral about raising taxes." Further, Frank Morris reported that the "governor believes that under some circumstances cutting some people off Medicaid will actually do them good." Blunt's press secretary, Jessica Robinson, elaborated: "Concern or fear over losing health coverage could become motivation enough to learn a new trade or to seek out a position that will otherwise provide coverage." Hence, erosion of Medicaid in Missouri is designed to increase personal responsibility for health care while providing incentives to enhance one's marketability in labor markets.

The Bush administration has also announced plans to create a commission "to make longer-term recommendations on the future of the Medicaid program" (Pear 2005c). Although Congress had wanted "an independent commission under the auspices of the National Academy of Sciences," Secretary of Health and Human Services Michael O. Leavitt rejected that, announcing that *he* would appoint all voting members. He has repeatedly claimed that Medicaid is "unsustainable," in language strikingly similar to that used by the cochairs of the Bush commission that proposed privatizing Social Security. Given Leavitt's prior beliefs, it is probable that the composition of the advisory panel will reflect a bias toward major "reform" of Medicaid.

Turning to the other primary federal health care program, Medicare insurance premiums should rise by 12 percent next year, having already risen by 17.4 percent in 2005 and by 13.5 percent in 2004 (Bloomberg.com 2005). Medicare patients' out-of-pocket liability for hospitalization will reach nearly $1,000 by 2006. Note that the script laid out for Medicare and Medicaid by reformers is similar to that previously composed for Social Security. Huge increases in premiums and out-of-pocket expenses will reduce satisfaction with the program (just as Fed chairman Alan Greenspan's payroll tax hikes in 1983 helped to create the view that Social Security is a "bad deal" in terms of "money's worth" calculations for younger workers), while hysteria about "unfunded liabilities" will "establish in the public mind" the belief that Medicare is also "on an unsustainable course," as Wehner advised in his memo detailing the president's strategy on Social Security. Frequent public statements by Greenspan help to drive home the belief that drastic cuts to "entitlements" will be necessary sooner rather than later, as we transform the health care delivery system in a manner that will advance the goals of the ownership society.

President Bush's prescription drug benefits included in the Orwellian-titled Medicare Modernization Act of 2003 forced seniors to choose among complex and uncertain private plans—a sort of preview of the coming privatization of Social Security and the inevitable difficulty of choosing among alternative private accounts. Advocates for low-income Medicare recipients claim the forms are so complex that as few as 5 percent of those eligible will apply for the new prescription drug benefit (Pear 2005a). Further, low-income or disabled seniors who opt for the Medicare prescription drug benefits will lose some of their food stamps due to the "Modernization Act" (Pear 2005b). To increase enrollment in Bush's drug program, the poorest, oldest, and sickest of Medicare's beneficiaries (the so-called "dual eligibles," who also qualify for Medicaid) will be dropped by the relatively simple and generous Medicaid drug benefits plan on January 1, 2006, at which time they must choose one of Medicare's privatized plans. Those in charge of the new drug plan urged bed-bound seniors in nursing homes to go to the Internet to undertake a comprehensive comparative analysis of the myriad private plans available. Ironically, the drug benefits program is so complex that the draft 2006 Medicare handbook has to be revised, because it contains so many statements that are

"inaccurate, misleading, or unclear, even to people who have worked on the program for decades" (Pear 2005d).

Some of the misleading statements appear to be intentional. For example, the handbook falsely and "repeatedly suggests that private plans offer a better value than the traditional Medicare program," and it wrongly paints Medicare as a "fee-for-service" plan like smaller, private plans (Pear 2005d). In fact, Medicare covers 36 million people with uniform premiums and copayments set by law, while the tiny private plans cover fewer than 100,000 patients nationwide and are free to set their own rates. Premiums for the prescription plan will rise by 60 percent next year—a sort of presidential mocking of AARP and others who joined the bandwagon supporting the Bush plan. And because Medicare is forbidden to negotiate prices, those premiums are likely to rise quickly, as the pharmaceutical companies raise profit margins. In addition, those seniors who delay signing up for the program will be faced with a penalty: a 1-percent-per-month surcharge will be added to premiums for those who fail to sign up by May 2006. Rising costs, penalties, program complexity, and cuts to other benefits (such as food stamps) will help to build dissatisfaction with "entitlement" programs, and to nudge recipients to "responsibility-enhancing" private plans.

Further, the drug benefits plan added an "unfunded liability of $18.2 trillion projected out infinitely," helping to deplete Medicare's trust fund by 2020 (Weisman 2005). Medicare's total "unfunded liability" is estimated at $65.4 trillion, or six times Social Security's supposed shortfall. Reformers will be using numbers such as these to create a "reality" that "needs to be seared into the public consciousness," as Wehner put it, to generate public acquiescence to the elimination of health care "entitlements," while "personal responsibility" is promoted and ultimately restored through privatization. Martin Feldstein has argued that "Social Security privatization and health savings accounts—tax shelters designed to encourage people to pay medical costs out of their own pockets—are only the beginning. 'Investment-based personal accounts,' he says, are the way to go for unemployment insurance and Medicare, too" (Krugman 2005a). In other words, all of the benefits programs that came out of New Deal thinking are now on the table, as candidates for changes promoting personal responsibility and "ownership."

Over the years, the nation has already made significant progress in transforming the tax system to favor ownership. Income tax rate cuts, especially for high earners, as well as the reduction or elimination of inheritance, corporate, and capital gains taxes, have shifted relative tax burdens away from the rich. When we also take into account the large payroll tax hikes enacted in the 1983 "reform" of Social Security, and the continuing devolution that pushes the tax burden toward regressive state and local taxes, this shift is all the more apparent. Some reformers would like to complete the transformation by moving to a consumption tax—putting even more of the tax burden on working families that consume their incomes, while the saving and owning classes could enjoy lower taxes on their accumulation of wealth. Freeing inheritances from the "death tax" and privatizing Social Security to make benefits inheritable are, of course, consistent with this endeavor.[11]

In sum, there is a wide variety of policy initiatives that can wear the guise of promoting creation of the ownership society. There can be little doubt that these reforms will advance the interests of owners; the question is whether they are likely to broaden ownership, or whether they are more likely to widen the gap between the well-heeled and the working classes.

An Ownership Reality Check

Supporters of these reforms claim their proposals are targeted to "modest-income citizens in particular," affording them "the chance to build inheritable wealth," a chance that would "open the door to a whole new life" (Glassman 2005). They argue that ownership is already widespread, and that their agenda will allow for an even broader distribution of wealth. "It already is an 'ownership society,' and the voters seem to like it that way. Managing securities is no longer something just for the toffs; some 27 percent of American households own stocks or mutual funds, according to census data. Nearly 30 percent have a 401(k) plan and 23 percent have an IRA or Keogh plan. About 65 percent own interest-bearing assets at financial institutions. Nearly 70 percent own their primary residence. Median net worth was $86,100 in 2001 and average net worth $395,500" (Melloan 2005). Indeed, the Federal Reserve's 2001 Survey of Consumer Finances (Federal Reserve 2001; the source for all the data on wealth and debt that

follow) demonstrates that more than half of all households *do* own corporate equities, either directly or indirectly, with stocks, bonds, mutual funds, and retirement accounts amounting to two-thirds of family financial assets (which in turn accounted for 42 percent of total family assets in 2001). Nearly 93 percent of all families held some type of financial asset, and about 60 percent of all families in which the head was between ages 35 and 64 held a retirement account. However, these numbers hide a significantly unequal distribution of ownership and indebtedness, and that inequality is likely to be made worse by proposed "reforms."

Table 1 shows 2001 wealth by family characteristic and asset type. The median net worth for families with income in the bottom quintile amounted to just $7,900. For minorities, it was only $17,100, versus almost $121,000 for families with a white, non-Hispanic head. Rates of ownership of a primary residence were only 14 percent and 46.8 percent, respectively, for families in the bottom net-worth quartile and for minority families. As Table 1 shows, families in the bottom wealth quartile had a median net worth equal to just $1,100, while the median net worth for families in the next quartile amounted to $41,000. By contrast, the fortunate few in the top decile of income earners enjoyed a median family net worth of $834,000; for those in the top decile of wealth holders, it was $1.3 million. The mean family net worth for the top income decile was nearly $2.3 million, and for the top wealth decile it was over $2.75 million—indicating a substantial concentration of wealth at the very top.

While under 4 percent of families in the lowest income quintile held stocks or mutual funds, 61 percent of families in the top decile held stocks, and 49 percent held mutual funds. Seventy-five percent of families in the lowest income quintile held some type of financial asset, but as shown in Table 1, the median value of holdings amounted to just $2,000. Nearly 100 percent of families in the top two deciles held financial assets, with median family holdings for those in the top decile reaching $364,000. By contrast, median family holdings of financial assets among people of color was just over $7,000, and for families that did not own a home, median financial wealth was less than $4,000. Families with a head aged 55 to 64 (that is, with a head on the verge of retirement) held median net worth at a substantial $182,000. However, their median holding of *financial assets*[12] totaled less than $57,000—clearly insufficient to provide a decent standard

Table 1 Family Wealth by Family Characteristics and Asset Type, 2001

Family characteristic	Median family net worth ($1,000)	Mean family net worth ($1,000)	Median value of family holdings: stocks* ($1,000)	Median value of family holdings: mutual funds* ($1,000)
All families	86.1	395.5	20.0	35.0
Income percentile				
Less than 20	7.9	52.6	7.5	21.0
20–39.9	37.2	114.3	10.0	24.0
40–59.9	62.5	160.9	7.0	24.0
60–79.9	141.5	292.1	17.0	30.0
80–89.9	263.1	456.5	20.0	28.0
90–100	833.6	2,258.2	50.0	87.5
Age of head (yrs.)				
Less than 35	11.6	90.7	5.7	9.0
35–44	77.6	259.5	15.0	17.5
45–54	132.0	485.6	15.0	38.5
55–64	181.5	727.0	37.5	60.0
65–74	176.3	673.8	85.0	70.0
75 or more	151.4	465.9	60.0	70.0
Race or ethnicity of head				
White non-Hispanic	120.9	482.9	22.0	40.0
People of color**	17.1	115.3	8.0	17.5
Housing status				
Owner	171.7	558.1	22.0	40.0
Renter or other	4.8	55.0	6.3	10.0
Net worth percentile				
Less than 25	1.1	0.0	1.3	2.0
25–49.9	40.8	44.1	3.2	5.0
50–74.9	156.1	165.7	8.3	15.0
75–89.9	430.2	449.4	25.6	37.5
90–100	1,301.9	2,754.9	122.0	140.0

**Note:* Value of family holdings by type of asset is for those families that hold the type of asset (families without the asset are excluded from calculation of median value). This biases asset values upward, particularly for low-income and low-wealth families, because asset ownership is uncommon for these families. For example, only 3.7 percent of all families in the lowest quintile of earnings hold stocks, while nearly 54 percent of families in the top decile own stocks. Similarly, only 38.8 percent of families in the lowest quintile own a primary residence, while 93.1 percent of those in the top decile do. Hence, a large majority of the nonowning families in the lowest quintile (whose asset value would be zero) are excluded in calculating median family holdings, while very few families in the top decile do not own primary residences—hence, median values for the top decile would not be affected much if those without such assets were included.

Median value of family holdings: retirement accts.* ($1,000)	Median value of family holdings: any financial assets* ($1,000)	Median value of family holdings: primary residence* ($1,000)	Median value of family holdings: any nonfinancial assets* ($1,000)	Median value of family holdings: any assets* ($1,000)
29.0	28.0	122.0	113.2	147.4
4.5	2.0	65.0	34.3	24.9
8.0	8.0	80.0	57.0	67.2
13.6	17.1	95.0	92.2	115.0
30.0	55.5	130.0	151.6	230.0
55.0	97.1	175.0	224.6	377.1
130.0	364.0	300.0	479.5	1,009.4
6.6	6.3	95.0	30.5	39.4
28.5	26.9	125.0	117.8	157.6
48.0	45.7	135.0	140.3	211.6
55.0	56.6	130.0	147.9	226.3
60.0	51.4	129.0	149.2	214.6
46.0	40.0	111.0	122.6	169.6
35.0	38.5	130.0	131.4	183.9
10.0	7.2	92.0	58.2	56.8
38.2	50.5	122.0	156.9	240.1
6.8	3.9	NA	8.9	13.4
2.0	1.3	49.5	8.2	8.2
7.5	10.6	70.0	62.6	75.1
30.0	53.1	120.0	144.8	215.2
76.5	201.7	200.0	281.8	508.5
190.0	707.4	350.0	712.5	1,438.1

On the other hand, median debt values are biased upward for those in the bottom income and wealth percentiles. However, the bias is smaller for debt because the differences across percentiles are smaller. For example, only 25.5 percent of families in the lowest quintile have installment debt, versus 41.2 percent of families in the top decile. About 49 percent of families in the lowest quintile have some kind of debt, versus 85 percent of those in the top decile. Hence, the bias is not important for debt values.
**This category is called "nonwhite or Hispanic" in the Survey of Consumer Finances.
Source: www.federalreserve.gov/pubs/oss/oss2/scfindex.html

of living at retirement. Median financial holdings actually fall to $51,400 for families with a head between ages 65 and 74, and to just $40,000 for families headed by someone age 75 or older, evidence that helps to explain why so many families rely on Social Security benefits for their retirement years. By contrast, the top decile of wealth holders had a median financial portfolio worth $707,400—probably enough to purchase a comfortable annuity. Clearly, outside the top couple of deciles, most Americans do not have enough *financial* wealth to see them through much of a retirement. And note that these wealth figures *overstate* the financial position of families of modest means, since they include only those families that actually hold assets (see *Note,* Table 1).

Therefore, the case for existence of an ownership society rests on *home* ownership, since owner-occupied homes represent the only significant asset held by families across all income and wealth percentiles. Widespread home ownership is one of the factors that distinguishes American society from European society, in keeping with the rugged individualism for which Americans are rightly famous. Furthermore, local community organizations have long recognized the contribution made by home ownership to developing a sense of community pride, which leads to rising property values and enhanced neighborhood quality of life. Even if one also notes that promotion of neighborhood "values" can result in racial and ethnic segregation as well as the exclusivity of gated communities, the social and individual benefits that accrue to neighborhoods with high proportions of owner-occupied housing cannot be discounted. Thus, home ownership is a critical component of the claim that ours is an ownership society, and that broader ownership would further the social good.

In 2001, the primary residence accounted for 47 percent of all nonfinancial assets held by families. Indeed, for the family with a head aged 55 to 64, the median value of the primary residence totaled $130,000—over 71 percent of the aforementioned median net worth of $182,000 for families with a head in this age group. In contrast, median retirement account holdings for families with a head in this age group amounted to $55,000 (for families that had a retirement account). For home-owning families in the bottom income decile, the primary residence had a median value of $65,000, compared with median values of stocks at $7,500 or of retirement accounts worth just $4,500 (for families holding these assets). Hence, the

value of the family home accounts for most of the wealth of low-income families as well as those families with a head close to retirement. Finally, as the data in Table 1 demonstrate, families that do not own a home have insignificant amounts of other forms of wealth, with median family net worth equal to $4,800, median retirement accounts valued at only $6,800, and financial assets equal to just $3,900. Those who "choose" to rent rather than own their homes pay a huge penalty because of the close correlation between home ownership and wealth. Clearly, renters will not participate in any meaningful way in the ownership society envisioned by the neocons. By contrast, families that own their home have a median value of asset holdings equal to $240,100—about 18 times greater than the median holdings of renters who had any assets. Home ownership does seem to open the path to wealth.

However, there are two reasons that analysts should not get carried away with counting home values as "wealth" and therefore further proof we have already become an ownership society, at least for 70 percent of the population. First, many home "owners" have mortgages against their properties, and that debt has been rising quickly. In 1984, mortgage debt equaled 40 percent of personal disposable income, but that increased to 60 percent in 1998 and is 80 percent today (Galbraith 2005). Further, families have to live *somewhere*, so liquidating the family home means purchase of another, or moving into a rental unit that is not usually of comparable quality, and that commits the family to rents in perpetuity. If demographics and home-buyer tastes are accommodative, a retiree could conceivably downsize housing and realize some of the net proceeds, to be used for support purposes in old age or otherwise. Once mortgage debt and housing needs are satisfied, however, the vast majority of families will not have much left after liquidating their homes. Homes may be "liquid," but they do not represent much "net" available to support other consumption. Indeed, rather than downsizing, what we have observed in recent years is a tendency to cash out equity—which has been described as the housing "ATM" phenomenon. This is a major contributing factor in the rising ratio of mortgage debt to income.

Debt: The Other Side of the Ownership Coin

And American families *have* taken on a lot of debt. About 75 percent of all families have some kind of debt. This varies—mostly inversely—by net worth, with 69 percent of the poorest quartile having some kind of debt, and 80 percent of families in the second-lowest quartile having debt. The percentage then falls to 78 percent for the 50th–74.9th percentiles, to 75 percent for the 75th–89.9th percentiles, and to 70 percent for the top decile. In 2001, home-secured debt[13] accounted for three-quarters of all family debt, with 45 percent of all families having this type of debt. Nearly half of families at the very bottom of the wealth distribution had installment loan and credit card debt. Interestingly, while over 55 percent of all families in the top decile of net worth had home-secured debt, only a quarter had installment loan debt, and only 22 percent had credit card debt. Indeed, installment loan and credit card debt is rather inversely related to income and wealth distribution—it is less significant among higher-income and wealth households than among low-income and wealth families. As Table 2 shows, the median installment loan debt among families with such debt stood at $8,600 for the lowest wealth quartile in 2001, rose gradually to $11,100 for families in the 75th–89.9th percentile, and $16,000 for the wealthiest decile. Credit card balances stood at just about $2,000, regardless of the wealth percentile. Hence, installment debt and credit card balances entail a burden that varies inversely with wealth and income.

Table 2 also shows that debt-service ratios (ratios of debt payment to family income) were around 17 percent for all but the top income decile—for which the ratio fell to just 11 percent. Heavy debt burdens likewise vary inversely with income and wealth: the ratio of debt to family income exceeded 40 percent for 27 percent of families in the lowest income quintile, for 16 percent of families in the next quintile, for 11.7 percent of families in the middle quintile, for 5.6 percent of families in the fourth quintile, and for just 2 percent of families in the top decile. Similarly, the percent of families with a debt payment 60 days or more past due fell sharply with family income or wealth: nearly 18 percent of families in the bottom quartile of net worth had such overdue debt, versus only 0.3 percent of families in the top decile.

In sum, the wealthiest decile enjoyed median family net worth that was 1,184 times greater, financial assets that were 544 times greater, and

nonfinancial assets worth 166 times more than those held by the lowest quartile. Further, 95 percent of the wealthiest decile of households owned a primary residence, and 42 percent also owned other residential property; only 14 percent of the bottom quartile owned a primary residence—and forget about a second home for this group. Yet, the poorest households faced much higher debt burdens, with nearly 14 times more families in the lowest income quintile carrying debt greater than 40 percent of their meager incomes, and with 60 times as many low-wealth families with debt in arrears when compared with the wealthiest families. So, while financial assets and net worth holdings are heavily skewed toward the richest households, debts are more "democratically" shared—with the bottom half of the wealth distribution actually "enjoying" more debt relative to income, and absolutely higher levels of debt in some cases.

There is a sort of inexorably perverse ownership-society logic in all this. In recent years, banks have promoted "100 percent" (typically "80/20") mortgages in which home buyers borrow a "down payment" (for example, 20 percent of the home value) at a high interest rate. According to one report, nearly half of new mortgages are no-money-down deals, and 36 percent of homes are bought with adjustable-rate mortgages; further, cash-out home refinancings are now running at a pace of $400 billion yearly (Schurr 2005). With little or no equity cushion on many of these new mortgages, even a slight downturn in real estate prices—or a decline in household income—could lead to foreclosures. Moreover, the Fed continues to raise rates; although this has not yet had much impact on household mortgage rates, it will eventually succeed in raising them, causing variable rates to spike.

All of this comes at the peak of what appears to be a real estate bubble, with even the Fed mumbling about possible speculative excesses, as well as a boom in overall household borrowing that makes a housing market downturn all the more likely. As Chairman Greenspan recently put it: "Without calling the overall national issue a bubble, it's pretty clear that it's an unsustainable underlying pattern" (Andrews 2005b). He even invented a new term for the phenomenon, calling it housing market "froth," fueled by speculation that has caused residential real estate prices to climb at double-digit rates for the last several years in many cities. One recent study found that 818,000 of the two million new jobs created since the end of

Table 2 **Family Debt: Distribution by Family Characteristic, Type of Debt, Debt Ratios, and Debt Past Due, 2001**

Family characteristic	Median value, family home secured debt* ($1,000)	Median value, family installment loan debt* ($1,000)	Median value, family credit card balances* ($1,000)
All families	67.1	9.5	1.9
Percentile of income			
Less than 20	27.2	4.4	1.0
20–39.9	40.3	6.7	1.3
40–59.9	47.9	8.7	2.1
60–79.9	70.8	13.0	2.4
80–89.9	87.6	12.5	2.2
90–100	127.4	15.8	3.3
Age of head (yrs.)			
less than 35	77.3	9.9	1.6
35–44	76.2	8.3	2.2
45–54	74.0	10.9	2.0
55–64	52.2	9.0	2.2
65–74	28.3	7.0	1.2
75 or more	23.1	9.7	0.8
Race or ethnicity of head			
White non-Hispanic	67.5	9.8	2.2
People of color**	67.5	7.8	1.2
Housing status			
Owner	67.5	10.4	2.2
Renter or other	NA	8.3	1.4
Percentile of net worth			
Less than 25	61.5	8.6	1.7
25–49.9	60.0	8.5	2.0
50–74.9	64.2	9.7	2.0
75–89.9	76.2	11.1	1.6
90–100	108.8	16.0	2.0

*See *Note*, p. 20
**This category is called "nonwhite or Hispanic" in the Survey of Consumer Finances.
Source: www.federalreserve.gov/pubs/oss/oss2/scfindex.html

Ratios of debt payment to family income; median of family ratios (%)	Share of debtors with debt ratio above 40 percent of income (%)	Share of debtors with payment 60 days or more past due (%)
16.0	11.0	7.0
17.2	27.0	13.4
15.9	16.0	11.7
16.9	11.7	7.9
17.9	5.6	4.0
17.0	3.5	2.6
11.1	2.0	1.3
16.7	10.8	11.9
17.3	9.4	5.9
16.8	10.9	6.2
13.8	12.2	7.1
15.1	13.9	1.5
7.0	14.3	0.8
NA	NA	NA
NA	NA	NA
19.2	13.9	4.3
7.7	3.5	14.0
10.6	10.3	17.7
19.4	13.3	7.2
17.9	10.5	3.6
16.3	10.6	0.8
10.9	8.4	0.3

2001 can be linked to housing: construction, home-furnishing stores, and the real estate services sector (Schurr 2005). Greenspan tried to downplay the risks, arguing, "Even if there are declines in prices, the significant run-up to date has so increased equity in homes that only those who have purchased very recently, purchased before prices actually, literally go down, are going to have problems" (Andrews 2005b). However, the repercussions of a slowdown in real estate markets could be far-reaching, to say the least, given the level of household debt, given that the family home represents a huge chunk of typical household wealth, and given how important the housing bubble has been for job creation.

The timing was thus impeccably inappropriate for bankruptcy "reform" designed to put pressure on "deadbeat" households—that is, on those families with little "ownership," but lots of debt. It is ironic that the 30-year mortgage brought to us by New Deal government guarantees—making home ownership possible for working Americans for the first time—has morphed into a speculation-fueling, debt-pushing juggernaut that is likely to bury homeowners in a mountain of liabilities from which they will not be able to seek bankruptcy protection. Creditors will emerge as owners of the foreclosed houses *and* with claims on debtors, who will be subject to a form of perpetual debt bondage under Chapter 13 (which, unlike Chapter 7 bankruptcy, requires a repayment plan).

Widespread home ownership *is* beneficial, and for at least some of the reasons enumerated by promoters of the ownership society. However, to equate holding a mortgaged family home with membership in a class of "citizen investors" (as Glassman does) borders on delusion, because many "home owners" merely occupy, manage, and improve homes proximately owned by banks and mortgage companies that are in turn owned by the *true* owner class—those with lots of wealth, particularly financial wealth, but little debt. Today's home owner cannot even be equated to the "yeoman farmer" of Jefferson's period, or to the small business owner of today, much less to the real owner class that begins somewhere north of the 97th income-and-wealth percentile.[14]

An Alternative Agenda

Perhaps it is not the goal of the reformers, but it certainly does appear that their policies will create a sharper division between a relatively small class of owners and a much larger class of nonowners—including the putative owners of homes.

If the reformers succeed, one possibility is that government policy would increasingly be directed by and for the owners, for, as Gouverneur Morris explained more than two centuries ago, a primary (if not *the* primary) purpose of government is to protect the property of the owner class. If inequality rises, this class will shrink, reducing the moral justification for protection of property even as the need for protection of property rises. In truth, the contemplated reforms may not simply turn back the clock to the good old pre–New Deal days of 1932. It could take us a good part of the way back to 1776, when citizenship was literally equated by some founding fathers to property ownership by white males—and when the idea that government ought to intervene to provide safety nets and entitlements to the nonowning classes was far from public discourse.

In the days leading up to the American Revolution, Morris and other wealth holders preferred to reconcile with Britain rather than face a democracy that included "reptiles" (Morris's term for working people) forming a "mob" to gain independence (Morris 1774). Ultimately, they opted for a republican form of government controlled by elites. Interestingly, suffrage would be expanded to include all landowners on the argument that this would help secure "the main object of Society" while reducing "the danger of an aristocracy installed with the purchased votes of the propertyless" (Kurland and Lerner 1987). In any case, the Madison/Morris view did not go unchallenged. While Franklin and Jefferson also recognized the benefits of ownership, they worried about equity. Franklin believed that "all property beyond that required for the 'Conservation of the Individual and the Propagation of the Species' could be enjoyed only on terms that the public might set through its laws. . . . Jefferson, too, maintained that holders of property, who owed all of its safe enjoyment and much of its title to 'social law' rather than nature, could not raise absolute claims that denied society what its welfare required."

More importantly, Webster argued that, since "property is the basis of power," only "a general and tolerably equal distribution of landed property"

could justify a republican form of government (Kurland and Lerner 1987). Thus, not only did these founding fathers reject the notion of an inviolable right to enjoy the fruits of unlimited wealth, but they also recognized that preferential treatment of property rights by government could only be justified if property were more or less equally distributed. In the framework of today's debate about the ownership society, the justification for many of the "reforms" advanced by advocates falls flat in the face of the evidence that wealth is highly unequally distributed—unless a very strong case can be made that these policy changes would quickly lead to a significant improvement of that distribution.

Whether by design or by accident, the ownership-society reforms would be likely to do the opposite, increasing inequality and concentrating wealth among the owner classes. For example, shifting taxes to consumption would give a tremendous advantage to those whose incomes are already so high that consumption is a small fraction of saving or wealth accumulation, and would make it nearly impossible for lower-income households to save, by reducing their already meager after-consumption income. As many analysts have demonstrated, the mostly small private accounts that are meant to replace Social Security will incur high management fees, so that retirement annuities will be insufficient to support low-wealth households. With high consumption taxes and the deterioration of private pensions, not to mention rising health care premiums and whatever "reforms" that might be made to Medicaid and Medicare, many aged persons will face an uncertain retirement. Shifting the burden of health care, education, retirement, taxes, unemployment, and losses due to medical malpractice and faulty products to working people might help to protect the property and interests of the owning class, but it will increase the barriers to entry into privilege. As many of today's millionaires can attest (and folk wisdom holds that it is actually the vast majority of them), multiple chances afforded by bankruptcy protection are almost a prerequisite to the accumulation of significant wealth. Limiting access to court protection, whether in the case of bankruptcy or in the case of injuries due to malpractice, will preserve the wealth of owners while concentrating the costs of misfortune in the nonownership class.

The "reformers" have yet to present argument or evidence in support of the belief that removing safety nets will achieve a more equal distribution of

wealth while promoting "efficient" decisions. Indeed, a reasonable argument could be made that people are "freer" to take a long-run view—with possible short-run costs but eventual high payoffs—in the presence of safety nets. The "gestation period" of a worker is 16 years in the case of a high school dropout and perhaps as long as 30 years (or more) in the case of a college graduate with an advanced degree. Surely the existence of both household and public-sector safety nets is helpful in tipping the bias toward the longer end of that spectrum. The already-wealthy have a private safety net (their wealth). In the presence of a publicly-provided safety net, the not-yet-wealthy are freer to pursue their dreams, because bad luck won't lead to severe deprivation.

Further, as Krugman has argued, public safety nets have become even more important as globalization has eroded the ability or willingness of U.S. firms to pay decent wages with benefits (Krugman 2005c). As low-wage competition from abroad has increased, more workers have had to rely on Medicaid for health care and food stamps for food. Krugman reports that the average GM worker in 1968 received $29,000 a year in wages (measured in today's dollars), plus generous health and retirement benefits; a Wal-Mart worker today earns roughly $17,000, and only half of the company's workers are covered by a health care plan. Increasing reliance on "market discipline" in health care has priced this out of reach for many families. Hence, erosion of public safety nets would make matters even worse for workers trying to make do with lower wages and fewer employer-provided benefits. This is intuitively recognized by workers; according to a recent poll, 67 percent of Americans want guaranteed health care for all citizens—an expanded health care safety net, *not* more individual responsibility for health care expenses.

Cheap and easy access to higher education is also important, as is the availability of reasonably priced real estate and home mortgages. Since the New Deal, the federal government has played a major role in both of these areas. And, as James K. Galbraith has argued, the two are inextricably linked: the wider access to a college education makes American households better credit risks in the eyes of mortgage lenders. Unfortunately, the federal government has recently, and substantially, reduced its role in these areas: student loans and mortgage loans have been "freed" to face greater market discipline, even as the burden of higher education has increased,

with tuition rising much faster than wages and the general price level. Government-sponsored enterprises like Fannie Mae and Freddie Mac have also been under attack, both for possible management malfeasance and for their "unfair" competition with private lenders (even as they have been given freer reign to behave like profit-maximizing financial behemoths). It is far too early to know how this will play out, but it is at least possible that the federal government's role in ensuring wide and easy access to low-cost, fixed-rate mortgage loans is in jeopardy.

The Bush administration's refusal to raise minimum wages and to extend unemployment benefits increases hardship; its plan to favor "personal reemployment accounts" will almost certainly replace already limited "entitlements" with greater individual responsibility for retraining, job search, and childcare. Income, health care, and Social Security safety nets not only reduce out-of-pocket expenses for families, but, to repeat, also provide the security that allows families to take longer-run decisions such as higher education for the children or retirement accounts for the parents. By chopping off the public legs of the retirement, education, employment, and health care stools, the neocon reformers will force families to take the short-run views that make them more dependent on good fortune, and on charity when that fails. (As readers of Charles Dickens know, we have been *there* before.)

If the goal is to create an ownership society that is something more than an ideological slogan, then policy should follow an alternative path, because most of the proposed "reforms" are likely to worsen distribution and restrict access to ownership. In any case, for the reasons advanced earlier, the neocon reforms should not be undertaken until a vastly more equal distribution of income and wealth is achieved. A real alternative to the "ownership society" agenda would strengthen safety nets, increase income and wealth at the bottom of the distribution, guarantee universal access to higher education, and provide the guarantee of a job at a living wage. Such policy changes would increase the probability that more Americans could join the "ownership" class, and would provide more justification for government policies that favor ownership. At best, the proponents of the ownership society have put the cart before the horse, believing that a lack of individual responsibility is the cause of income and wealth disparities. But offering de jure "choice" and removing social safety

nets when households do not have adequate means are likely to simply worsen inequality without improving real choices for most Americans.

Interestingly, none other than Newt Gingrich has recognized that redistribution is necessary before the goal of spreading benefits of the new ownership society can be achieved. When asked whether the Bush administration's agenda amounted to anything more than a charade, Gingrich responded, "No. It means the next stage is to see whether or not he has the nerve to propose real redistribution."[15] That is the $64,000 question.

Notes

1. The author thanks Yan Liang for substantial research assistance.
2. As Boaz argues, "There is a good deal of historical evidence . . . as well as abundant contemporary evidence, that ownership tends to encourage self-esteem and healthy habits of behaviour, such as acting more for the long term, or taking education more seriously" (Boaz 2005).
3. "Today's Entitlement Age, based on New Deal assumptions that discourage economic independence and often place government in a role antagonistic to the private sector, will fade. And there will rise instead an ownership society, based on the assumption that when families share in the growth of businesses and the economy, everyone benefits. . . . The ownership society is the biggest political idea since the New Deal. No wonder it threatens the party that dominated government for the half-century after Franklin Roosevelt's election as President" (Glassman 2005).
4. James Madison in "Federalist No. 10," quoted in McCann 1991, pp. 53–57.
5. McCann 1991, p. 53. McCann goes on to quote Nedelsky that Madison's vision was one where the "people as a whole would be relegated to the margins of politics, but guaranteed the freedom and security to pursue their private interests—which was the real purpose of government." This, according to Nedelsky, explains Madison's opposition to redistributive policies, including debt relief.
6. Gouverneur Morris explains: "This Conclusion results that the State of Society is perfected in Proportion as the Rights of Property are secured." *The Founders' Constitution* (Kurland and Lerner 1987,

p. 578) sums up the views of many of the founders: "Proprietorship is a condition for entry and full participation in political life, a prerequisite for the necessary independence that would guard the citizenry from becoming the mere instruments of the powerful and ambitious, a token of the seriousness of one's commitment to stability and order, and a claim to a full voice in the disposition of the community's affairs, especially as those bear on the enjoyment of one's own."

7. The poll found that 56 percent of respondents opposed the president's plan to phase out wage indexing as income rises above $20,000 (Lester 2005). The survey also shows that while 70 percent of those polled have become convinced that Social Security faces financing problems, 60 percent do not like the way the president is handling the issue, and 48 percent said they trust Democrats more on this issue, with only 36 percent trusting Republicans more.
8. It should be noted that some on the far right oppose the "No Child Left Behind" legislation, apparently not understanding that it can be used to push children into private schools as "failing" public schools lose funding.
9. "[A] key element of the ownership society is that to take full advantage of it, you must put up a great deal more of your own money—pay to play, if you will. And that principle of pay to play applies in fields ranging from retirement to education to health care. Private employers, long the source of a truly secure retirement for so many, have already begun their retreat from the social safety net and embraced the ownership philosophy" (Crenshaw 2005).
10. "Other reforms that could enhance the ownership society include . . . wider use of *Health Savings Accounts*, which transfer control over health care decisions from employers, insurance companies and HMO gatekeepers to individual patients" (Boaz 2005).
11. It is notable Alan Greenspan headed the commission that recommended the 1983 payroll tax hike; symmetrically, he also gave President Bush's recent tax cuts for the rich the "Maestro" seal of approval. He then completed the trifecta by using the budget deficit as an argument for revising policy to raise saving rates, including a shift to a consumption tax, even as he endorsed Social Security benefit cuts (Andrews 2005a; Greenspan 2005).

12. These data are for those households that held *any* financial assets, including bonds, stocks, mutual funds, retirement accounts, and other financial assets.
13. This includes first and second mortgages, home equity loans, and lines of credit secured by the primary residence.
14. In this paper, I have focused on data for the top income and wealth percentile, but it is well established that there is a "kink" at about the 97th percentile, with a very high concentration of wealth in the top 3 percent. See Peterson 1994.
15. Quoted in Miller 2004.

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