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BUSH'S "OWNERSHIP SOCIETY" LIKELY TO INCREASE INEQUALITY, SAYS NEW LEVY ECONOMICS INSTITUTE STUDY

Neoconservative Agenda to Privatize Social Security, Education, and Health care and Stiffen Bankruptcy Laws Will Not Help Poor or Middle Class, Scholar Says

ANNANDALE-ON-HUDSON, N.Y.—While the Bush administration's attempt to overhaul Social Security has garnered tremendous media attention, a new report from The Levy Economics Institute of Bard College suggests that privatizing Social Security represents just one aspect of a sweeping neoconservative agenda to revive an "ownership society" in which Americans would be free to make their own choices about providing for their health care and retirement and educating their children. Levy Institute Senior Scholar L. Randall Wray says that the means of achieving this vision—Medicaid cuts, school vouchers, consumption taxes, stiffer bankruptcy laws, and other reforms—will not promote greater access to wealth, as its supporters claim, but will more likely increase inequality in America by exacerbating significant inequalities that already exist in the distribution of wealth and debt.

In his public policy brief, *The Ownership Society: Social Security is Only the Beginning* . . . , Wray argues that efforts to overhaul or erode social programs and protections threaten to allow unbridled wealth accumulation and concentration by the nation's richest. Thus, while supporters of the Bush administration's efforts claim that such reforms will democratize access to wealth, Wray contends that few Americans are in a position to take advantage of such changes. Using the Federal Reserve's 2001 Survey of Consumer Finances, he refutes reform supporters' claims that ownership is already widespread in America. "While financial assets and net worth holdings are heavily skewed toward the richest households, debts are more 'democratically' shared—with the bottom

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half of the wealth distribution actually ‘enjoying’ more debt relative to income, and absolutely higher levels of debt in some cases,” he writes. “Clearly, outside the top couple of deciles, most Americans do not have enough financial wealth to see them through much of a retirement.”

Furthermore, Wray argues that the neoconservative assertions on wealth depend heavily on home ownership, which he says is a poor indicator of spendable net wealth. “Many home ‘owners’ have mortgages against their properties, and that debt has been rising quickly,” he writes, stressing that the value of the family home accounts for most of the wealth of low-income families, as well as those families headed by someone near retirement. Wray maintains that homes cannot simply be sold at retirement and used as an asset. “Families have to live somewhere, so liquidating the family home means purchase of another, or moving into a rental unit,” he writes.

Removing safety nets at a time when traditional retirement plans are eroding and the cost of health care and education is rising dramatically will almost certainly make it harder for individuals and families to make choices and take the chances necessary to potentially become part of the owner class, Wray says. “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,” he writes. “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.” Wray suggests that a more appropriate agenda for encouraging ownership 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.

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Public Policy Brief No. 82, *The Ownership Society: Social Security is Only the Beginning . . .*

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