

# How Big Government Usurped Personal Responsibility

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by Peter T. Leeson

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**A**ren't national summits great? America's foremost academicians, bankers, and mutual fund managers gathered in early June at the government's request to devise new ways to encourage a spend-happy public to save more. While the 240 delegates to the National Summit on Retirement Savings agreed that more savings are needed, they were reluctant to suggest policies that would boost savings. It's always amusing when the government holds these summits. While ostensibly organized to establish why Americans aren't saving enough for their retirement, the gathering was little more than another opportunity for academics to socialize and for the government to look like it cared about the public. In actuality, nothing was said that we didn't already know. The government employs economic advisers who know very well why retirement savings are so puny.

At the summit President Clinton called on employers offering 401(k) retirement plans to automatically include their employees in the program unless specifically told not to do so. While this little gem will surely, as Clinton put it, "affect a very large number of people in getting them into the business of saving for their own retirement," it doesn't quite seem to get to the root of the problem.

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## What's Left to Save?

The savings problem begins with a lack of funds to save. An active government is an expensive one, and that's exactly what America has. When federal, state, and local taxes are counted, the government confiscates about 40 percent of America's income. With only 60 percent of their paychecks at their disposal, wage earners have little left to save after Uncle Sam has lined his pockets with their cash.

The second reason people are saving less is the government's inflationary tendencies. As the Federal Reserve erodes the purchasing power of the dollar over time, the money people have stored in their savings accounts loses its value, too. The \$100 a family saved in 1980 may only have the purchasing power of \$80 today. In order to get the greatest bang for their buck, individuals have the incentive to spend their income as fast as possible. Even under the very modest inflationary pressures we are experiencing now, the fading value of savings creates a strong disincentive to provide for the future.

The third major reason people don't save for retirement is that the government ostensibly does it for them! Prior to Social Security's inception in 1935, people were responsible for providing for their own retirement. There was no federal safety net. Either you saved for your future; your friends, family, or charity supported you; or your future was unpleasant.

When the government entered the picture, it usurped the responsibility of its citizens to save for themselves. Individuals came to rely on big government to provide for retirement income. In fact, they became so dependent that until recently they couldn't even conceive of a system whereby they provided for themselves.

This is where we find ourselves today. Social Security is failing, as it inevitably had to, and the government is getting worried that the safety net's holes might be too big to catch impending retirees.

Now the government is pushing for citizens to go back to the traditional method of providing for retirement—personal savings. But how?

Workers must bear the burden of the failed Social Security program's steep costs. The steadily increasing payroll tax needed to fund the program is like a sack of bricks weighing down every wage earner who wants to save for himself.

Older earners are accustomed to the idea that an active government will provide future income for them. They are reluctant to save for themselves, and resent the fact that much of their income was squandered on Social Security benefits they will never see. Fortunately, many young income earners recognize the Social Security fraud and expect to rely solely on themselves in the future.

While getting Americans once again to accept responsibility for saving for their

own futures is no easy task, eliminating Social Security and relieving the taxpayer's burden are steps in the right direction. As Labor Secretary Alexis Herman said, "The message to Americans is be prepared." Now let's provide Americans with the tools they will need.

We can begin by abolishing Social Security. In just 15 years the system will start running deficits, meaning massive tax increases if it is to be saved. Instead of raising taxes, why not simply eliminate the program? Freeing taxpayers from Social Security means allowing them to keep what they would have paid in to the faltering system so that they can provide for a far better retirement.

Budget cuts in any area would be helpful. The more cuts that are made, the more money that is left in the hands of people to save. If given the freedom to do so, many Americans will invest their savings in the stock market. In the long run, stocks provide significantly higher returns than does Social Security and are a more secure form of saving for retirement. Allowing Americans to keep more of their money means giving them control of their futures once again.

No summit is needed to decide what to do. The government knows the appropriate steps as well as you or I. The question is, is the government willing to see its budget and power fall so that Americans can have a secure future? Sadly, I predict no.

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