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Feldstein's rhetoric of private retirement accounts

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Feldstein's Rhetoric of Private Retirement Accounts

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Working Paper No: 2008-23

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Abstract

The purpose of this study is to provide an alternate approach to studies of the rhetoric of policy-relevant economics. Martin Feldstein's pro-privatization rhetoric relative to Social Security is first analyzed. A subsequent comparison his rhetoric to that of George W. Bush concludes that both the political and the economic rhetoric of Social Security privatization follows *diagnostic*, *prognostic* and *motivational* framing. Just as the political rhetoric of Social Security invokes the authority of 'ideographs such as 'personal ownership' in its motivational frame to draw on a society's 'ideological and cultural repertoire'; economic rhetoric employs what we will call 'economic ideographs' like 'deadweight loss' to resonate with fellow economists through an appeal to the 'implicit antecedent normative premises' embedded in the language of economics. In both cases, the motivational frame aims at persuading the targeted *persuadee* of the merits of the policy proposal or technical choice.

Keywords: Social Security, individual accounts, privatization, ideograph, rhetoric, Feldstein

1 INTRODUCTION

Philosophical stimuli for this study is provided by the insight that economic 'statements and theories must … be comprehended as linguistic and rhetorical, that is, discursive [as well as epistemological] phenomena' so long as 'economic phenomena is a matter of human attribution.' (1992a:15) Specifically, we will concentrate on the policy implications associated with a rhetorical strategy choice, say, a metaphorical portrayal of government as 'intruder' or 'enabler.' Choice of a rhetorical strategy not only leads to a particular presentation of reality on the basis of which economy is apprehended and discussed but also restricts, as an intended or unintended consequence of this choice, the range of policy probabilities. Following Samuels (1992b:113) we argue, 'policy implications are tautological with the model and/or the particular normative premises which are added to a model' and theses premises are communicated to fellow economists through an economic rhetoric details of which will be at the core of this study. We should also note that, economists' use of a particular economic language may be thought to involve an element of unconsciousness (or routine). There are difficulties for economists in owning up to their rhetorical ploys since 'these ploys are not necessarily adopted consciously by the writer … And it is precisely in this aspect of the language that ideology plays its strongest role.' (Milberg, 1988:36) In other words, use of a particular economic language reinforces an associated worldview. We believe that study of rhetoric would reveal the element of ideology embedded in the language of economics. For this end, we choose to concentrate on Martin Feldstein's rhetoric of Social Security privatization in the United States.

Based on the long-term funding shortfall indicated by the Social Security Trustees Report[i], reforming Social Security through private retirement accounts (PRAs) found its way onto the George W. Bush's policy agenda when he was elected for his first term in 2000. The Bush proposal involved permitting all workers to eventually set aside 4 percentage points of their payroll taxes in their retirement accounts. A similar PRAs proposal was outlined by Feldstein in a paper entitled 'Structural Reform of Social Security,' which appeared in the 2005 *Journal Economic Perspectives.* This paper mainly is a rhetorical examination of the economic argument Feldstein presented there. Our methodology focuses on and utilizes similarities and differences between the economic and political rhetoric of these PRAs. The paper will be organized in the following way: first, we will survey the applied literature on economic rhetoric, placing exclusive emphasis on the policy implications of such rhetoric; secondly, we will introduce the key concept of 'framing'; thirdly, we will compare and contrast the economic and political rhetoric of PRAs, or Social Security privatization; and finally, we will provide a critical examination of Feldstein's pro-privatization rhetoric.

2 ECONOMIC RHETORIC AND ITS POLICY RELEVANCE

According to Samuels, different schools of thought privileging different terms, different meanings and different representation of reality constitute discursive systems. 'If people accept the think within a [marginal] productivity paradigm they will act differently, adopt different policies, and (re)create a different economy than if they accepted and thought within an exploitation paradigm' (Samuels, 1992a:19) that offers an alternative storyline[ii]. For instance, the 'natural rate of unemployment' (and NAIRU) rhetoric

appears to be an attempt to trivialize (or to deprioritize) the problem of unemployment[iii]. Here, this rhetorical choice provides 'a stamp of scientific respectability' (Pollin, 1998:4) to such policies as price stability whereby the case for full employment is undeniably weakened. A similar policy conclusion follows from Lucas's dismissal of the notion of 'involuntary unemployment' as a pure theoretical construct invented by Keynes. (see Rosetti, 1990) This, as Lucas calls it, 'carelessly drawn distinction' between voluntary and involuntary employment potentially leads to misguided policies focused on elimination of the latter which does not exist![iv] Similar policy relevance of economic rhetoric can easily be observed in the debates on minimum wage and taxation. Positing the argument narrowly in terms of a youth disemployment and poverty alleviation effect, for instance, helps make the case that 'the minimum wage is not an issue that most of us should care about' (Levin-Waldman, 1999:1) – a position that opponents of minimum wage would enjoy[v]. On the other hand, representing of taxation as 'excessive impositions' in economics textbooks tends to ignore the fact that 'tax levels are decided by elected officials and voters have thus had a role in determining tax levels.' (George, 1996:33) Therefore, the presentation of tax not only obscures the democratic component of taxation but also lends support to the impression that tax load is too high without providing a proper standard for this conclusion.

What is common to all the examples of rhetoric discussed so far will also constitute our definition of rhetoric as being 'diverse representations of social life which are inherently positioned.' (Fairclough, 2002:13) Economists see and represent their subject matter, the Economy, in different ways to which policy implications will be natural extensions. As will be discussed next, 'framing' is instrumental to such selective representations.

3 FRAME ANALYSIS

We now concentrate on how the motivation behind the PRAs is *framed* in political and economic rhetoric. Before performing this analysis, we should introduce the concept of 'frame' (or 'framing') and its significance for studying economic rhetoric.

The frame concept would provide a perspective on the analysis of culture and ideology in political and economic rhetoric. Donati (1992:41) defines frames as 'categories which are already present in the perceiver's culture or memory.' He further adds, 'cognition is nothing more than re-cognition, and people make sense of things by 're-cognizing' them as elements of a meaningfully ordered world …' Therefore, frames basically guide perception and have applications in a variety of fields where persuasion and legitimization appear indispensable. To illustrate, let us first consider the nature and extent of framing involved in such seemingly common sense phrase as 'tax relief' that has become cornerstone of justifying tax cuts:

> For there to be relief there must be an affliction, an afflicted party, and a reliever who removes the affliction … When the word *tax* is added to *relief*, the result is a metaphor: Taxation is an affliction. And the person who takes it away is a hero, and anyone who tries to stop him is a bad guy. This is a frame. [original emphasis] (Lakoff, 2004:3-4)

'Tax relief' involves a sophisticated framing that can be missed by an untrained eye. Similarly, 'poverty' could also be framed either in terms of personal deficiencies and lack of education or parameters beyond individuals' control such as a poor economy and unsuccessful social programs[vi]. (Sulick, 2006) The strength of anti-environmentalist movement can be claimed to be its ability to frame 'environmental issues …, for example, in terms of 'owls versus people,' then the owls (and the habitat that sustains them) do not have much of a future[vii].' (Bruner and Oelschlaeger, 1994:391). Needless to say, contested perceptions of the reality of poverty will be instrumental to promotion of alternative policies[viii]. Here, the ability to define the terms of the debate is likely to determine its outcomes.

As seen in the examples above, 'each single bundle of perceptive data can be made to fit a potentially large number of different frames' and depending on 'the selected frame, different characters of the object become visible or relevant.' (Donati, 1992:41) Let us consider 'unemployment' that can be seen as a result of the dominance of 'financial recklessness' over 'technical genius' from a Veblenian point of view. While the same phenomenon could also be interpreted as a result of 'the misdirection of labor' due to distortions of price mechanism from a Hayekian perspective. One might wonder the status of each argument with respect to the *true* cause of unemployment. As a matter of fact, neither of these explanations naturally excludes one another. Rather, each author provides an account of 'unemployment' consistent with their 'prescientific act of vision' (or 'Vision') (Schumpeter, 1949:350) '… by selecting and 'actualizing' a subset of the 'potential' properties of the actual' phenomenon of unemployment, 'thus 'framing' it alone one possible semantic plane.' (Donati, p.41)

In the next section, we will explore the use of frames (and frames within the frames) in the political and economic rhetoric of Social Security reform and their policy implications.

4 FRAMING SOCIAL SECURITY PRIVATIZATION

David Snow and Robert Benford (1988) discuss the role of framing in the assignment of meanings to relevant events and conditions, and in the mobilization of adherents and constituents of social movements. They argue that a successful mobilization is contingent on a richly developed and interconnected framing strategy that consists of 'three core framing task: (1) a diagnosis of some event or aspect of social life as problematic and in need of alteration; (2) a proposed solution to the diagnosed problem that specifies what needs to be done; and (3) a call-to-arms or rationale for engagement in ameliorative or corrective action.' (p.199) These framing tasks are named, *diagnostic*, *prognostic* and *motivational*. While 'd*iagnostic framing* involves identification of a problem and the attribution of blame or causality,' (Snow and Benford, 1988:200) 'the purpose of *prognostic framing* is not only to suggest solutions to the problem but also to identify strategies, tactics, and targets. What is to be done is thereby specified.' (p.201) Motivational framing involves 'rationale for action that goes beyond the diagnosis and prognosis … Participation [in the movement] is thus contingent upon the development of motivational frames that function as prods to action.' (p.201)

The economic rhetoric of Feldstein's PRAs, as well as the political rhetoric of George W. Bush's of PRAs, can be shown to follow these three core-framing tasks as outlined by Snow and Benford in the derivation of policy conclusions. In this sense, there is a substantial similarity between the rhetoric of politics and the rhetoric of economics. Our comparison, though, will focus exclusively on the framing of the motivation that lies behind the policy choice.

George W. Bush represented his PRAs proposal, or prognosis, to address the long-term solvency of Social Security, which represents the diagnosis. He framed the motivation behind his proposal with his vision of 'two-tier capitalism' (Dumenil and Levy, 2004:36) which promised to make Social Security the source of personal ownership of financial capital: 'Ownership, access to wealth and independence should not be the privilege of the few. They are the hope of every American, and we must make them the foundation of Social Security.' (Bush, 2001) While diagnosis serves to demonstrate the need for reform/policy change, the motivational component stresses the *appropriateness*, or legitimacy, of the policy choice. The nature of political rhetoric requires politicians to frame their motivation 'by drawing on the society's ideological and cultural repertoire' (Béland, 2005:7) through the invocation of key terms such as 'ownership,' 'freedom,' or 'choice.' By means of motivational framing, legitimacy for the policy choice is sought through agreement from relevant policy actors and the general public.[ix] Legitimacy here could be defined as 'the acceptability of a political entity or arrangement on the basis of explicit or implicit understanding in a society' because 'it correlates a set of practices with a set of approved maps of preferred social meanings.' (Freeden, 2005:79) In this sense, reference to 'personal ownership' is not arbitrary: '… elevating and idealizing an old liberal value like personal ownership is a potentially powerful framing strategy that can effectively construct the need to reform and legitimize specific neo-liberal policy alternatives' (Béland, 2005:10) such as the introduction of PRAs under Social Security.

'Ideographs,' as McGee calls these keywords, appear central to an adequate framing of the motivation behind PRAs. By 'ideograph' McGee means 'a vocabulary of concepts' to which human beings are conditioned, concepts

> that function as guides, warrants, reasons, or excuses for behavior and belief … when a claim is warranted by such terms as 'law,' 'liberty,' 'tyranny,' or 'trial by jury'; in other words, it is presumed that human beings will react predictably and automatically. (p.6)

Terms like 'ownership' are sometimes even more powerful than propositions; they function as 'building blocks of ideology' (p.7) as meanings of these terms are rhetorically construed.[x] Additionally, it seems clear that rhetorical use of these terms communicates, often implicitly, normative commitments and value judgments.

We turn now to a critical explication of the rhetoric of PRAs that emerges from an intensive scrutiny of Feldstein's article entitled 'Structural Reform of Social Security' published in the 2005 JEP.

5 FELDSTEIN'S ECONOMIC RHETORIC

As Maki describes rhetoric (1995:1303), it is a social process involving a *persuader* such as a writer, and a *persuadee* or audience, such as a reader. In the 'Structural Reform of Social Security,' Feldstein the *persuader* clearly seems to address the *persuade*e, who are his fellow economists, through utilization of the economic rhetoric of PRAs. According to McCloskey, this kind of rhetoric can be considered storytelling of a sort; moreover, it can be considered *uniquely* economic to the extent to which it postulates economic behavior and predicts economic aggregate implications; for example, 1) how does agent A make her leisure-work decisions? and 2) how will labor supply, and in turn social welfare reflect, changes in individual decisions about leisure and work? This kind of narrative, which Feldstein's article to some extent illustrates, tells the story of *economic man*.

Like the political rhetoric we find in the PRAs, the economic rhetoric that emerges in the Feldstein article seems to conform to Snow and Benford's scheme of three core-framing tasks. The 'diagnosis' there consists of a broad set of needs for change in traditional Social Security:

> (i) Social Security is not progressive enough
> (ii) fiscal imbalances in Social Security will widen the budget deficit beginning in 2018
> (iii) the implicit real rate of return on Social Security contributions is low—about 2.5%—and might get even lower when compared with other investment options
> (iv) payroll taxes will have to be raised by 48% to finance the currently projected benefits

Feldstein's 'prognosis' focuses for the most part on the policy option that provides the greatest overall benefits: 1) it would eliminate the projected imbalance between future benefit payments and payroll revenues; 2) it would not increase taxes or cut benefits; 3) it would maintain expected retirement incomes at or above the level projected in current law. To accomplish these objectives, Feldstein suggests that the U.S. could use a mixed system that combines a pay-as-you-go component with PRAs. In this case, he argues that 'the financial solution will be permanent, implying that the Social Security trust fund at the end of the 75-year forecast period of the Social Security actuaries will be both positive and growing; and there will be no use of existing general revenue to finance Social Security benefits.' (2005:36-37) Feldstein's plan differs from President Bush's only in its details: 'The personal retirement accounts (hereafter, PRAs) would be funded by a combination of the 1.5% that was transferred from the payroll tax, plus an additional 1.5% that individuals would contribute out-of-pocket on a voluntary basis.'[xi] (p.39) According to Feldstein, with a 60:40 equity-debt portfolio 'the expected benefits for individuals with average lifetime earnings who reach normal retirement age in 2050

would be 121 percent of the benchmark benefits scheduled in current law, consisting of a personal retirement account annuity equal to 61 percent of the benchmark benefit and a pay-as-you-go benefit equal to 60 percent of the benchmark benefit.' (p.39) Moreover, 'an investment based component in which all employees contribute the same proportion of their earnings and experience the same rate of return' (p.51) would be neutral to the imperfectly redistributive logic of the overall system.

6 FRAMING THE MOTIVATION BEHIND PRIVATIZATION

Identification of the economic problem and its remedies does not exhaust Feldstein's project. He also somewhat surprisingly frames the motivation behind his proposed plan. The warrant for his formulation of a motivational component probably arises from the possibility of competing policy options. Such options can map out alternative paths for addressing the issue specified during the 'diagnosis stage'; for example, adjustment of contribution and benefits rates. Whatever policy is chosen needs not only to address the solvency issue, but also to be an 'appropriate' one in other ways. Persuasion will function significantly in that choice. Just as legitimization of the need for reform is indispensable to political rhetoric, so also is persuasion essential to economic rhetoric in a successful description of the merits of the policy choice.

The following series of remarks outlines Feldstein's motivational frame:

> Although avoiding a large tax increase or benefit cut is the reason for political interest in such a reform, it would also provide economic benefits that can be analyzed separately; an efficiency gain (that is, decreased deadweight loss) associated with reducing labor market distortions and, separately, and increased present value of consumption due to the shift to a partially investment-based system. (p.42)

Also, 'to be very conservative … one third of the PRA assets become new business investment in the United States.' (p.40)

Feldstein further argues that 'increasing the OASI payroll tax … would cause a major rise in the deadweight loss' due to what he calls 'labor market distortions' that consist of

> not only participation and average hours but also effort, occupational choice, risk taking, and so on. In addition, taxable labor income depends on how much of the potential income is taken in cash and how much in fringe benefits, nice working conditions and other forms that are not taxable income.

The reform that proposes a mixed system with a PRA component

> would make it possible to avoid the payroll tax increase and the associated deadweight loss while maintaining the expected level of pension benefits. The reduction in the deadweight loss due to avoiding the

> increased labor market distortion would be a true improvement in *long-run economic efficiency*. [author's emphasis] (p.43)

Moreover, a shift of saving 'for retirement from a pay-as-you-go system with a 2 percent Samuelsonian real rate of return to an investment-based system with a real rate of return of 6 percent' will boost the present value of consumption (p.44), while it helps reduce uncertainty regarding retirement income:

> Investment-based accounts are of course subject to market risk, but these market risks can be quantified and can be reduced by investment strategies … since the nature of the pay-as-you-go uncertainty is fundamentally different from the uncertainty in an investment-based system, a mixed system that combines both types of benefits may provide greater protection than a pure pay-as-you-go system or a pure investment-based system. (p.48)

Motivational frame performs a task that goes beyond merely providing justification for the technical choice outlined at the 'prognosis' stage. Just as George W. Bush vowed in his 2005 State of the Union Speech to 'listen to anyone who has a good idea to offer' on Social Security reform as long as these ideas were 'guided by some *basic principles,*' Feldstein's motivational frame also enables him to effectively narrow the number of 'appropriate policies.' For instance, it successfully excludes the challenge of the American Association of Retired Persons (AARP) that 'There is nothing wrong with Social Security that a few changes can't fix' (Calmes, 2005); these ' few changes' might include 'minor adjustments' of contribution and benefit levels, as opposed to what would come down to 'major surgery.' (Diamond and Orszag, 2005:11)

In turning now to an analysis of Feldstein's motivation, let's consider the following scheme suggested by Maki (1995:1303) as part of his diagnosis of McCloskey's explanation of the dynamics of persuasion:

> Arguments are the vehicles of persuasion. An argument can be simply understood as consisting of a conclusion and a set of premises which are supposed to have some bearing on the conclusion. Let us designate the set of premises by 'P,' the conclusion by 'C,' and their relationship by 'R.' A rhetorical argument is used by a persuader to bring about an intensification of a persuadee's belief in C by invoking P (which the persuader assumes that the persuadee believes in), and by connecting the two by R (which the persuader assumes that the persuadee accepts or finds appealing).

Therefore, the plausibility, or persuasiveness, of the argument for PRAs, which is represented by the C in Maki's terminology, requires that the persuadee be convinced that the conclusion or policy choice is consistent with his beliefs or values, which are represented by P in Maki's terminology. Just as the political rhetoric of privatization draws on 'the ideological and cultural repertoire' of the public through ideographs (Béland, 2005:7), the economic argument for appropriateness of the policy choice

requires Feldstein to draw consciously or unconsciously on the conventional values subscribed to by economists. In light of this, what we propose is new lenses through which to look at and analyze these normative premises embedded in the language of economics.

7 IDEOGRAPHIC TERMS IN ECONOMICS

These implicit terms can be argued to facilitate 'referentiality' in the establishment of a text's meaning in relation to other texts and meanings. Milberg correctly emphasizes the role of this appeal to 'endlessly deferred Authority' in the presentation of the ideological as the conventional, and in calling for the reader's complicity with authorial intentions. Feldstein's economic rhetoric is full of references to this type of term or phrase—'deadweight loss,' 'long-run economic efficiency' or 'savings'—whose authority is often invoked to resonate with fellow economists who are considering the merits of proposed policy options. (1988:44)

Assuming the persuasiveness of such an appeal, this study draws a parallel between political and economic rhetoric, and presents an analysis of the ideographic use of such economic terms, or 'economic ideographs' as they are called here, which are significant elements in Feldstein's motivational frame. The claim of this study is that *the ideographic uses of economic terms encapsulate the normative commitments of economists which condition the possible range of policy options.*

It can be easily demonstrated that Feldstein's motivation is framed by these ideographic terms. While the political rhetoric of Social Security invokes the authority of what McGee calls 'ideographs'—for example, 'personal ownership'—in a motivational frame that draws on a society's ideological and cultural repertoire (1980), Feldstein's economic rhetoric accomplishes a similar task through the ideographic use of economic terms like 'economic efficiency,' which appeal to the 'implicit antecedent normative premises' already embedded in economic terminology. (Samuels[c], 1992:118)

The fact that the 'economy' is an abstract aspect of social reality leaves considerable room the social construction of reality. This is where ideology in the Heilbronerian[xii] sense of the term makes its grand appearance. (1990:102) Like most economists, Feldstein seeks 'efficiency' as the most desirable trait for an economic system; as an economic system's most desirable trait, 'efficiency' becomes an end in itself. It is for the sake of 'efficiency'—that is, minimizing the deadweight loss or optimizing output—which is the chief good, that others things like judicious tax policies are desirable. Similarly, in the rhetoric of policy-relevant economics, keywords like 'distortions,' 'deadweight loss,' 'saving,' 'consumption,' 'balanced budget,' 'risk/uncertainty' and 'progressiveness/fairness' all appear to perform ideographic objectives; they refer to a list of traits that economists commonly value and seek in an economic system. These terms function as guides to policy: among existing set of policies, economists tend to choose those that prevent or reduce deadweight loss associated with price distortions; those that are instrumental to higher consumption and saving; those that are fiscally conservative and fair; and those that minimize risk and uncertainty.

The specific policy choice in any case will cohere with the normative premises that are implicitly adopted by economists and communicated through ideographs. Given that, in framing the motivation behind his policy proposal, Feldstein is addressing rhetoric to his colleagues, economic ideographs serve a useful purpose: they resonate deeply and solidly with his colleagues as they together capture conventionally-agreed-on virtues for the economic system, characteristics that lead to the ultimate economic objective of 'efficiency.'

8 A CRITICAL ANALYSIS OF FELDSTEIN'S PRO-PRIVATIZATION RHETORIC

Our intensive critical study of Feldstein's motivational frame reveals implicit normative commitments articulated through his ideographic of use of economic terms. As indicated in a prior section of this work, Feldstein frequently appeals to the authority of the term 'deadweight loss' in his motivational frame. Arguably, this term functions as an ideograph in the sense in which McGee uses the term, the sole exception being that *persuader* and *persuadee* cease to be the polity and the public. Just as the public predictably leans toward policy options expanding 'ownership,' 'wherever possible, economists and policymakers would like to eliminate deadweight losses from the economy.' (Nielsen, 2005:9) Ideographs in economics are warranted 'to evoke … submission by other scientists to authorial intentions,' among others reasons. (McCloskey, 1990:38) In the economics of welfare, elimination of 'deadweight loss' has become standard practice in evaluations of the possible outcomes of alternative policy options. However, as an ideograph, 'deadweight loss' embodies and signifies a unique ideological commitment to an ill-defined normative goal, subscribed to consciously or unconsciously by economists.[xiii]

What 'deadweight loss'—or 'the welfare cost,' as Harberger (1964:59) likes to call it— will be *the loss* associated with the contraction of market relations, or 'foregone transactions,' as Hines expresses it. (1999:168) Within this framework, welfare loss is traced back to a multiplicity of *distortions* in an economy or to 'interferences with perfect competition.' (Samuelson, 1952:294) Perfect competition, or the Pareto frontier, appears to be associated with abstract ideal states. Therefore, the further the distance between 'the ideal' and 'as is,' the greater the welfare loss will be. When causes for this divergence are under consideration, the usual suspects are governmental policy decisions. Feldstein avoids a further divergence of this sort, and his policy proposal derives its chief merit from this avoidance. He attempts to measure the welfare cost of distortions in income-leisure choices from an increase in Social Security payroll taxes.

As will become more clear later in this study, Feldstein's analysis rests on one key fallacy: *it identifies some traits of the economic system that serve the aggregate efficiency without addressing their significance in regard to welfare of individuals.* For example, one might argue that the French labor market, as contrasted with the American labor

market, seems more prone to 'deadweight loss.' However, the question still remains: What does this say about the welfare of an average French citizen?

Higher taxes would lead to 'deadweight loss' because in the face of higher payroll taxes, individuals would do these kinds of things:

- work less and consume more leisure
- substitute wages for deductible and exempt forms of compensation, like payments in the form of health care and education subsidies
- opt for lower pay and more opulent working conditions—larger offices, for instance— to avoid payment of high income taxes (Nielsen, 2005:9)

In other words, non-cash components are excluded from what Feldstein thinks of as 'welfare.' For example, Feldstein does not consider 'leisure' in its connection with individual welfare but only in its relationship to the efficiency of the aggregate system.[xiv] This pattern also presents itself in Feldstein's selectively framing Social Security as *a compulsory saving/investment scheme*. By arguing that the maintenance of Social Security in its current form would lead to an aggregate efficiency, Feldstein's rhetoric does not recognize the fact that Social Security occupies a unique position in relation to individual welfare in a way the market does not. Here, ends do justify means: the enhancement of labor-market incentives through PRAs is of value simply because it leads to an abstract state of aggregate efficiency; it is an *end in itself*.

More specifically, Feldstein provides a cost-benefit analysis in which with the benefits not been properly addressed, and this is due to the following three components of his rhetorical strategy: First, as we have just indicated, the cost of sustaining Social Security in its current form is framed in terms of the abstract ideal of 'efficiency,' and this framing clearly reveals his view of what constitutes welfare. Consequently, the unique position Social Security that occupies in regard to individual welfare in never articulated. Secondly, Feldstein compares the cost of an *inevitable* increase in payroll taxes, as a response to the demographic challenges of Social Security, with the benefits of partial privatization that would prevent such an increase from occurring. This is the way in which the terms of the debate are initially supplied. In other words, the choice is between higher taxes and current taxes. Lastly, and more importantly, just as 'a football game, for example, can be understood either as a battle or as a classical ballet,' Feldstein narrowly construes the meaning of Social Security as a compulsory saving/investment scheme funded by payroll taxes; he does this 'by selecting and 'actualizing' a subset of the 'potential' properties of the actual' phenomenon of Social Security, 'thus 'framing' it along one possible semantic plane.' (Donati, 1990:141) Social Security could have been framed just as easily as an anti-poverty device; as a symbol of the right to a minimum retirement income, or social adequacy; as a tax-transfer scheme; as a redistributive mechanism; as a social insurance scheme; as a means of social ownership; or as a facilitator of self-reliance in terms of individual equity, etc.

Social Security is a non-market domain to the extent that it isolates the provision of a retirement income from the vagaries of the financial market. This makes Feldstein's

framing of Social Security along one possible semantic plane especially interesting since it hints at the two ways economists would characteristically deal with a non-market domain: (i) they would utilize a metaphor from market domain as substitute; and (ii) they would analyze non-market domains in terms of their influence on the market domain. Defining Social Security as contributions to a private pension scheme or as an 'insurance fiction' (Cesaratto, 2005) seems to provide the much needed metaphor. Once Social Security is considered a 'tax,' it can be shown to cause either 'deadweight loss' or the contraction of the market domain. Feldstein obviously employs both of approaches in his pro-privatization rhetoric.[xv]

Our next concern is the image of 'government' in pro-privatization rhetoric and it role in the justification of the policy choice outlined above.

9 IMAGES OF GOVERNMENT

The political rhetoric of PRAs proposals derives a significant part of its appeal to younger workers[xvi] from the promise of a higher rate of return from their long-term investment of part of their payroll taxes than the rate of return they receive under the current system, which does not seem like good stewardship of the people's money. Bush argues that 'the best way to make sure that people got real assets in the Social Security system, not just IOUs in a file cabinet, is to let younger workers take some of their own money … and set up a personal savings account' (Bush, 2005b) that offers them 'the opportunity to build a nest egg for retirement that *the government cannot take away* [emphasis mine].' (Bush, 2005a) Payroll contributions divorced from personal ownership are presented here as a burden that prevents individuals from building up 'real assets' for their retirement. In other words, government, who is the collector of payroll taxes, fails in an objectively measurable way to provide a higher retirement income for its citizens. Therefore, there is a 'free lunch' for individuals in the expansion of market relations and a consequent minimization of the scope of *government failure*. Here, 'public' and 'private' domain are framed in a mutually exclusive manner. This conception of government's role is a typically 'neoliberal' one also advocated by Hayek and Friedman, among others.

In practice, however, the privatization proposal would not scale down the direct involvement of government in the field of retirement security. This project promises 'less government but not [necessarily] *less governance* [emphasis mine],' (Larner, 2000:11) since it retains the compulsory savings nature of the system. As Beland (2005:169) expresses it: 'the creation of personal accounts as part of Social Security would still represent a substantial form of government intervention in American economy and society.' Rather, this intervention encourages conformity to the norms of the market as a political/normative goal. In this sense, 'individuals are not only able but also obliged to exercise autonomous choices.' (Larner, 2000:11)

A similar conception of government underlies Feldstein's rhetoric.[xvii] The rhetoric of government that he chooses seems instrumental to his policy conclusions. He does not problematize in principle the redistributive and compulsory savings nature of Social Security, and this is similar to the political rhetoric of privatization. Nor does he display

discomfort with the libertarian concern of paternalism. As previously indicated, he includes 'progressiveness' in his vocabulary of ideographs, and he suggests that

> a mixed system could be designed to provide greater redistribution. For example, the matching rate used to induce participation could be higher for low income earners. The pay-as-you-go formula and the rate at which benefits are adjusted over time could also be modified to increase progressivity. (p.51)

According to Feldstein, what other principles limit, or warrant, government intervention? He credits the option that invests the trust fund collectively in stocks and bonds with the same benefits to national saving and elimination of labor-market deadweight loss as the PRAs. However, he opposes such an option because

> a central investment account in Social Security would raise a very serious risk of government interference in the economy. That much asset ownership by the Social Security trust fund would bring substantial control over the economy and over individual firms. There would undoubtedly be *political* pressure not to invest in firms that are engaged in unfavored activities (outsourcing, overseas investment, producing products like cigarettes) and pressure to make '*social investments*' (infrastructure, low-income housing, pollution control) … it is hard to imagine any set of safeguards that would protect the fund managers from the political process … If the future of Social Security is to include an investment-based component, it will almost certainly have to take the form of personal retirement accounts. [emphasis mine] (p.52)

Feldstein's rhetoric of government invokes the authority of two additional ideographs in this context: '(a)political,' and 'social' investment. The thing that separates individual accounts from the collective one is that the former is 'apolitical'[xviii] even if the individual accounts produce the same result in terms of aggregate efficiency. In addition to the proponents of trade restraint, Goodwin's list in economics of the equivalent of the anti-Christ can safely be extended to include the advocates of 'socialization,' of services and investment. (1988:211) Economists distance themselves from what is 'political,' and from any interference in the economy through 'social investments.' The term 'social investment' rallies ideological opposition to a central investment account in the same way that 'socialized medicine' has rallied opposition to the expansion of the State Children Health Insurance Program.[xix] Neither of these terms is a mere 'term'; rather, each term is an 'argument' in the sense that it is rarely further qualified. In other words, these ideographic terms 'are one-term sums of an orientation' like other terms in economic and political rhetoric, as McGee has said. (1980:7) The referent of each term is located in a differing conceptual system through which reality is expressed and perceived. Like Lucas (Rosetti, 1990:239), Feldstein utilizes a rhetoric of government which assumes the possibility of an 'apolitical' sphere. His ideographic use of the term 'political' further assumes a hierarchy or a fallacious dichotomy between what is economic and what is

political. From this perspective, politics does not define 'the economic end,' but economics does.

CONCLUSION

Samuels asks, 'What do you think is the relationship between the pro-free trade position and the status of economics as a science?' (1992: 135) We believe this question could have been paraphrased in the following way: 'Is economic rhetoric inherently pro-free trade?' In the case of Social Security, the question would take the following form: 'Is economic rhetoric inherently pro-privatization?' With respect to Feldstein, we can answer in the affirmative. His invocation of the authority of ideographs like 'deadweight loss' reveals that he sees cost of welfare as closely associated with the contraction of market relations at the expense of non-market relations. However, Feldstein fails to see that this conception of welfare is as political as any others. The particular economic language that Feldstein uses will inevitably reinforce and give support to the ideological position to which he subscribes. A pro-Social Security rhetoric must naturally be a critique of economic rhetoric as it currently exists because economic rhetoric tends to block out certain aspects of welfare. The ways in which this occurs will be subject of our next project.

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[i] In 2000, for instance, 'The Social Security trust funds [were] … projected to be adequately financed … [only] until 2037. At that time, annual tax income to the combined trust funds [was] projected to equal about 72 percent of the cost of benefits payable.' (The Board of Trustees Report, 2000)

[ii] Let us consider an observation of a hike in real wages. One might promptly point out higher labor productivity as the primary cause. Nevertheless, s/he could have as well said that it is due to improvements in bargaining power of laborers. The first (second) answer would naturally follow once one, consciously or unconsciously, selects marginal productivity (exploitation) frame to make sense of this reality.

[iii] It does so by associating any level of unemployment with the labor's refusal to work at equilibrium wage as well as non-market determinants like the level of unionization or that of bargaining power enjoyed by the working people.

[iv] To Rosetti, Lucas's motivation behind reconstructing the meaning of 'unemployment' is to reverse the Keynes's hierarchy by placing 'macro economy at the center, the individual at the periphery'. (p.233) Her deconstructive interpretation goes on to conclude that this redefinition of unemployment 'in a manner consistent with microeconomic theories of behavior' as opposed to by nothing-but-artificial 'technical reasons' imposed from outside the economic theory, 'directly implies changes in unemployment policy … the decision of whether or not the unemployment rate is inappropriate … no longer requires exogenous measures or judgments on the part of policy maker as to what constitutes 'full' employment. We can shift decisions on unemployment policy from the political sphere to the sphere of economic analysis' (p.234-235) by studying the extent to which market-determined level of unemployment is distorted by taxes, external effects and so on.

[v] Needless to say, this narrowly construed meaning of minimum wage ignores broader distributional and institutional implications of the legislation which is the focus of its supporters whose rhetorical strategy revolves around the association of minimum wage to ideals such as 'greater efficiency' and 'more just society.' (p.1)

[vi] Framing of poverty would be influential in shaping public's opinion of the issue. Specifically, when the focus was placed on '… personal deficiencies or lack of education, citizens were more likely to hold poor people responsible for causing the problem. Conversely, when poverty was presented … associating [it] with conditions such as poor economy and unsuccessful social program, then the cause of the poverty was attributed to society.' (Sulick, 2006:24)

[vii] They go on to suggest that a new focus on sustainability requires environmentalist movement to challenge the perception of environmental issues framed within the narrow 'jobs-or-environment dilemma.' (p. 391)

[viii] As for the poverty debate, we may suggest that 'Personal Responsibility and Work Opportunity Act' would be consistent with the 'personal deficiency' frame and while 'Supplementary Security Income' policy with the other.

[ix] Political rhetoric may target not only the Electoral College, but also the policy elite. Vivien Schmidt defines two types of political discourse: 'coordinative' and communicative.' (2002) She argues that coordinative discourse, more prevalent in multiactor political systems like the U.S., seeks to reach a consensus among key policy groups, while communicative discourse, more prevalent in single-actor systems like Britain, seeks to persuade the general public.

[x] One might challenge the commonly perceived practical meanings of these terms within a given cultural repertoire only by treating them as parts of a clearly formulated proposition. John O'Neill (1998) follows such a path in his reconstruction of the concept of 'autonomy' by contrasting it not only with the vice of heteronomy, but also with that of excessive self-assertiveness. (Avsar, 2008)

[xi] This seemingly voluntary contribution appears to be a condition of eligibility for setting up PRAs. One might call this forced saving component an additional 1.5% payroll tax.

[xii] Heilbroner argues: 'I do not use *ideology* in a pejorative sense, as an apologia offered on behalf of some unannounced, usually political, interest, or as a description or explanation knowingly at variance with perceived reality. On the contrary, I understand an ideology to be utterances in which the speaker deeply believes – statements to which the 'interests' themselves repair in search of enlightment … [Ideologies] are conceptual frameworks by which order is imposed upon, and moral legitimacy accorded to, the raw stuff out of which social understanding must be forged.'

[xiii] Meanwhile, it is nothing but a fiction and, as McCloskey (1990:39) notes, economists usually fail to identify fictional components of their own discipline: 'We all know that bears do not talk but we do not all know the notion of 'marginal productivity' in economics is a metaphor' just as 'deadweight loss' can be considered to be.'

[xiv] Similarly, he does not consider the substitution of nicer working conditions for higher pay as welfare-improving This indicates the following: If we consider the following two accounts of welfare, Feldstein would have subscribed to the first account, a definition which he would argue is 'apolitical': (i) 'Welfare' is expressed in pecuniary terms; or (ii) a uniquely 'economic' definition of 'welfare' is expressed in pecuniary terms. This definition of 'welfare,' however, needs to be modified and corrected by the principles of the other social sciences.

[xv] A related but somewhat more political question would be the following: what is the economist's stance, or the 'economics' stance, on non-market domain?

[xvi] As Calmes (2005) argues, 'In part to counter AARP's influence, the president seems to play heavily to younger workers.'

[xvii]Even if his political rhetoric of government is consistent with the policy choice in principle, unlike Friedman and Hayek, it questions neither retirement as a matter of right, nor the moral purpose such as social adequacy that Social Security serves (Avsar, 2008).

[xviii] In other words, privately-made decisions are 'apolitical' even when they are politically motivated but the same is not true for similar collectively-made decisions.

[xix] 'Republican opponents of the bill, like Senators Judd Gregg of New Hampshire and John Cornyn of Texas, said it would be a big step toward socialized medicine, would shift people from private insurance to a public program and would allow coverage for illegal immigrants and children in high-income families.' (Pear, 2007)