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THE THIRD RAIL IS DEAD:  
SOCIAL SECURITY AND ELECTION 2002

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Moderator:

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Panelists:

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Pat Toomey, Representative, Pennsylvania;  
and David Winston, Winston Group

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## P R O C E E D I N G S

MR. TANNER: Thank you very much. I appreciate all of you being here today, on a cold day beating the snows. We hope to have you out before the blizzard hits. I understand there is going to be about an inch of snow, so Washington should close down any time now.

It was former House Speaker Tip O'Neill who reputedly coined the phrase that Social Security was the "third rail of American politics." Supposedly, if you touched it, your career died instantly. And for many years it certainly seemed that politicians in Washington treated Social Security as the "third rail." Any discussion of reform was stillborn in the political process.

That has begun to change of late. Public opinion has certainly shifted. The public understands that there is a Social Security crisis and that there is a need for reform. The public increasingly understands the value of individual accounts. We saw this in the 2000 presidential elections, when President George W. Bush ran on the issue and survived. We see it again in the 2002 Congressional elections.

It was reputed by some people that the Social Security issue would be the silver bullet that would defeat Republican

candidates all across America. We heard statements, Dick Gephardt for example, on September 18th, said: The election is a referendum on Social Security. On November 1st, Nita Lowery said: The election, in my judgment, is a referendum on Social Security. Democratic Congressional campaign spokesman Jenny Backus said, on October 6th: There is no question that I think this election is a referendum on Social Security. And finally, Howard Wolfson, of the Democratic Congressional Campaign Committee, on October 9th, said: The stakes in this election are high; it is a referendum on the future of Social Security.

We will take them at their word. It was a referendum on Social Security. Individual accounts won. In every election, as far as I can tell, across this country, where Social Security was a significant campaign issue, the candidate who favored individual accounts won.

We are happy today to have a couple of the folks who did that, a couple of folks who were targeted by anti-account activists, a couple of candidates who saw money and TV commercials and door-to-door activists arguing that their proposals for individual accounts were going to leave grandma in the street to starve and eat cat food.

One of my favorite commercials actually managed to squeeze in the fact that individual accounts were going to take your Social Security check and gamble it in Enron on Wall Street

for the benefit of the wealthy supporters of the candidates. It is amazing how you could squeeze all of that into one single attack ad.

But despite that, we have here today a reelected congressman and a newly elected senator. They are emblematic of the new wave of individual account supporters who won across this country on November 5th. The first up today is Senator-Elect John Sununu, from New Hampshire, a former three-term Congressman and Vice Chairman of the House Budget Committee. His race was one of the top targets of individual account opponents. They put time, effort and money in, and yet he is here today as a Senator-Elect, testifying to the popularity of individual accounts. We are very happy to have Senator Sununu with us today to tell us a little bit about how it was in his campaign, and what we need to do from here.

Senator Sununu.

(Applause.)

JOHN SUNUNU, SENATOR-ELECT

NEW HAMPSHIRE

SENATOR-ELECT SUNUNU: Thank you. Thanks very much.

I am sure a lot of you saw the various commercials during the campaign. One of them was just described. I do not

know where that one ran. The commercials in my campaign were not quite as highbrow. I will say it is my favorite, but I have not actually seen it. I appear in it in kind of a cartoon format, with a beard and sunglasses and bags of cash. I am not sure if it Social Security cash or what cash it is, but I have a tape of this ad coming.

And when that went out there, and when people started coming up to me in the street saying, oh, yeah, you're running for Senate, I saw you in that commercial with the beard and glasses, I knew things were either going pretty well or pretty bad, depending on how effective I could be in conveying the importance of the message that we are here to talk about today. That message is the importance of reforming and strengthening Social Security, the importance of empowering workers to control a little bit more of what they earn every week, to control what they are paying in Social Security taxes, and to establish a personal retirement account in order to not just strengthen the program but to make for a stronger retirement security system for our children and grandchildren.

I am not here to talk about all the nuts and bolts of legislation or reform. I think Cato has done a great job in talking about different options and opportunities and some of the fundamental values of modernization and the fundamental values of

personal accounts. Pat is here as well, and Pat is as good as anyone at talking about the substance.

What I thought I would do is talk about the politics, talk about the message, at least as I tried to portray it in my campaign, and why I think this issue cut, and cut in favor of those that supported individual accounts, and why it will continue to cut, and why I think it will continue to resonate with voters, whether it is in 2004 or 2006 or until we get the job done.

And having looked out to the day when we do get the job done, do get a modernization package in place, let me take a moment to say Cato's work is not done. The job of anyone who cares about this issue, who has advocated for this issue, whether it has been for five years or 20 years, or, as in the case of Cato, probably closer to 25 years, the work is not done.

Just because we have a good election cycle, because we get a few people elected that have talked thoughtfully and substantively about modernizing Social Security, that does not mean we can just sit back and expect the chairman of the Ways and Means Committee or the chairman of the Finance Committee or the Majority Leader or the Speaker or anyone else to just take the ball and run with it. That is obviously not going to happen.

I have only been working in Congress for six years and, if I have learned anything, it is that just because you have a

good electoral result, it does not mean the legislation is going to get written or get written in a good way.

Why? Well, the politics. Why did this work? Why was I successful? Why was Pat successful? Elizabeth Dole? Lindsay Graham? I am sure there were many others that were willing to talk about this issue in a direct way. First, a couple of points that I think are fundamental, that everyone should understand in this day and age, but, especially inside the Beltway, people either don't understand or don't care to admit.

Voters are pretty smart. Voters are pretty intelligent. But not every voter, not every American. I mean, let us face it, there is a huge spectrum of abilities in this country. But the electorate, by and large, is pretty intelligent, and I think they are getting smarter, especially when it comes to political advertising or political communication. They have seen the attack ads. They have seen the negative ads. In a lot of these races, they saw more than ever before.

So, where demagoguery is concerned or attack ads or scare tactics, where someone is going out and trying to evoke an emotional response to an issue like this, it's just not as effective as it used to be. Especially with retirees, they have seen all the ads before, all the scare tactics on Medicare, all the scare tactics on Social Security. And so, if you are putting

out a substantive message versus an emotional scare tactic, you will fare better today than you would have 10 years ago or 15 or 20 years ago.

I think people would argue the last time Social Security played effectively in a national campaign was 1983, 1984, 1985, 1986, somewhere in there, where a number of Republicans lost their seats because there was a big wave of attack ads and scare tactics about cutting Social Security benefits. But the electorate is smarter today than they have ever been before.

Second, voters actually care. They care about issues. This is an important issue. And any time you are out there talking about an issue that voters care about, if you are doing a good job, if you are speaking from the heart, if you are speaking from a set of principles and personal beliefs about something the voters care about, you are going to do pretty well. And in this election, of course, it was driven, by and large, by economic issues and national security issues. We saw those very high on the priority list of voters. So, if you were talking about those issues substantively and effectively, you were probably going to do pretty well, if you had a message that resonated.

But where Social Security was concerned, where it was injected into campaigns, voters are going to look at the candidates and, at a certain level decide who seems to understand

this issue best, who seems to care about it, who seems to be willing to do something about an issue that I care about -- and that is making Social Security work. So, we have got a pretty well informed electorate. We have an electorate that cares about big issues, important issues like Social Security reform. And those things are not going to change. So, I think that lays a pretty good foundation for future campaigns or for people running for office if they want to take up this challenge.

Other reasons we were successful? One, in talking about Social Security modernization and personal accounts, we as candidates, I as a candidate, were offering a positive vision for the future and a positive vision, again, about an issue that the voters cared about. By contrast, my opponent and Democrats more broadly, what were they saying? They were talking about what they are opposed to. "Well, we are against personal accounts; let's talk about the next issue." "My opponent wants to cut Social Security benefits; I am opposed to personal accounts; let's talk about the next issue."

That is not, in the broadest sense, the kind of a message, the type of tone, that voters want to hear about any issue. They want to hear what you are for. They want to hear how you see the future unfolding, how you will be involved in shaping legislation and to be able to stand up and say that this is an important issue.

We see the Trust Fund being depleted over time. The problem is only going to get worse the longer we wait. We need to do something about it. And here are some ideas for doing something about it. Let's look at the youngest workers and give them the option of controlling a portion of what they earn and put it into a retirement account that gives them a higher rate of return, that helps increase personal savings, that empowers the younger worker. We are going to have a system where we continue to have some guaranteed minimum benefit. We are going to protect the benefits that are retired today, but let's strengthen the system for future generations.

One, that is a message. Two, it is a positive message. It is a substantive message. And message beats no message every time. But a positive vision beats a negative one every time, as well. So, we were successful because, on this issue and hopefully on others, but on this issue we were presenting a much more positive vision of where we thought the system and the country ought to be headed.

Another important distinction was that just by standing up there on an issue that, by and large, the punditry or consultants in the past have said is a dangerous issue to talk about, we were providing leadership. And voters in general, and you might argue in this election cycle in particular, voters are looking for people who will be strong leaders, broadly speaking.

They want someone that is willing to provide leadership on challenges that will face our country, our States, our cities and towns, today and in the future.

And they look out there and they say, well, everyone says you shouldn't be talking about Social Security, but Pat or John or Lindsay or Elizabeth, they were willing to stand up there and talk about this issue. They are not shying away from it. And I believe voters use that kind of scenario as a proxy for how you will lead on other issues. Even if they don't agree with you on every detail policy prospective, on every idea you have on Social Security, voters understand. Again, this gets back to voters are smart.

Voters actually understand that they will not agree with you 100 percent of the time on 100 percent of the issues. It is not possible. So, they are not stunned that you get up there and say, well, on Social Security I would do A, B, C, and D. If they don't agree with D, they are not going to run and vote for the other candidate necessarily.

Standing up and talking about a tough issue that they care about, and talking about it substantively, the voters walk away and say, if he or she is willing to provide leadership on a tough issue like Social Security, then I can count on them and I can be pretty confident that when it comes to health care reform or simplifying the Tax Code or education reform that they are

going to provide leadership on that issue as well. They are obviously are not going to shy away from the issue. And heck, if you are willing to step out there on Social Security, you are willing to step up on just about any issue that you think is important.

So, they can count on you not to shy away from tough issues. And it also builds a greater foundation of trust, because if you are willing to tell them really where you stand on Social Security, then you are going to be willing to tell them, as a voter, where you stand on other issues. Again, that is what the electorate wants as much or more than anything -- someone who will be straight and who will provide leadership and who will take on tough issues.

So, voters use your willingness to stand up on Social Security as a proxy for leadership. You are providing them with a positive vision. You are talking about an issue that they care about. And last -- I laugh because it is unusual, I suppose, that I would leave this for last -- but it is about substance. And I think at some level -- I hope at some level -- the electorate still cares a little about substance.

They want you to talk about a complicated issue, a complex issue like Social Security, and to be able to describe in fairly direct or personal terms, understandable terms, what this system really is. You are taking in tax revenues, paying

benefits. It is a pay-as-you-go system. We have a trust fund. How does the trust fund balance increase and decrease over time? What does it mean when we start depleting the trust fund, when it goes to zero in 40 years? What are the options?

You have to be able to counter charges. "Well, you are going to risk it all on Enron stock." Of course not. What people are talking about is some sort of set of options for investments. You can point to the fact that the safest investment vehicle in the history of the world, a U.S. Treasury bond, is going to earn 3 or 4 or 5 percent, which is a lot more than the younger workers can expect to get from the Social Security system as it is currently structured.

So, if you can address issues and concerns in a thoughtful and substantive way, again, voters are going to walk away and say, gee, this person seems to have done their homework. They seemed to understand the basics of the issue. And, once again, even if I do not agree with them down the line on this issue, I can count on them to do their homework on other issues and other concerns. So, from a political perspective, I think that is why, more than any other reason, this issue worked for us as candidates.

Now the challenge is to somehow translate that political success, that rhetorical success and the electoral success into legislative success. And, in many ways, that is

going to be at least as difficult as it has been to educate ourselves as candidates and to build on the success that organizations like Cato and others that have tried to educate America have had.

I think the biggest reason for optimism, at least inside the Beltway here in Washington right now, is that, at its core, the White House and the Administration really do care about this issue. They believe in this issue. Their belief is based on principle and commitment to empowering these younger workers, to strengthening and modernizing a system that has been in place for 60 years but needs to be strengthened if it is going to still be successful in 40 or 50 or 60 years for my children and my grandchildren. And I think they are much more committed to it than many people on Capitol Hill would like to believe.

And it does stem from the success of President Bush in the 2000 elections. He went out there and campaigned on this issue in 2000. We can pat ourselves on the back, well, I was willing to campaign, talking about modernizing Social Security, but President Bush did this two years ago and he was successful across the country. They looked at how they did among retirees and near-retirees after talking about this issue, after having millions of dollars in ads run against them. They looked and they said that not only were we not hurt by this issue, we were helped by this issue politically. And, on top of that, it is the

right thing to do. And that, in and of itself, provides great motivation.

I said to someone four or five days before Election Day -- that was November 1st or so -- and I knew it was a close race, I felt I had an advantage, I felt I had a real distinct edge going into the final week of the campaign for a number of reasons -- I said that one of the best things about this is knowing that, come election night, when I am successful, I will have been elected to the United States Senate, campaigning to modernize Social Security and to simplify the Tax Code. And there is something important and empowering about that, knowing you can go out and talk to your electorate, talk to your voters, in a direct, honest, substantive way and have them respond in a positive way. I think that is great motivation for me as a candidate, and now it will be great motivation for me as a U.S. Senator.

I am looking forward to the challenge, but it is a huge challenge. And we have more speakers here that can talk about some of the nuts and bolts and the opportunities, but this is the right thing for America. It is the right thing for our kids and grandkids. It sounds like a very emotional thing to say, but it is absolutely true.

One of the most revealing moments for me on this issue came in the campaign when I was talking to a group that was

bigger than this. It was probably 500 seniors. It was an AARP forum. And, you can imagine, it was mostly about Medicare, prescription drugs and about Social Security. My opponent talked about cutting Social Security benefits or raising taxes and gambling it on the stock market, and all the class warfare things we have all heard before.

And it was my turn at one point to rebut and to talk. I said, well, how many people out here have children? Their hands all went up. How many people have grandchildren? All the hands went up. How many people do not care about their children and their grandchildren's retirement security? All the hands went down.

When you put it in those terms, it really strips all of the trimmings off of the class warfare arguments, and it makes people understand that this is not about any benefit that would accrue to me as an elected official, as a Senator or a House Member. We do not get any benefits from talking about modernization or working on legislation to strengthen the Social Security system.

The only reason you would ever stand up in public and talk about this issue is because you actually care about having a system in place, a retirement security system of some sort, that will serve our children and grandchildren as well as the one that

has served our parents or grandparents. There is no other reason to do it.

By asking that simple question of those in the audience -- and whether they are old or young -- I think it hits home. This is about doing the right thing from a public policy perspective, doing our job as legislators, and, in the end, having a system that really serves the country far better than we could imagine.

Thank you.

(Applause.)

MR. TANNER: I suppose it is possible to say, all right, Social Security reform, that works up there in New Hampshire. After all, you have got all those rock-ribbed, Yankee conservative types and all that. So, we can understand why maybe it was successful there.

On the other hand, Pat Toomey's district is a little different. It is a district that has leaned Democratic. It's a district that is full of union households. It is a district that is full of seniors. In fact, it is a district that is so contrary to the conventional wisdom of reform that the Wall Street Journal was led to say that if a Social Security reformer can win in that district, they can win anywhere.

Well, not only did Pat Toomey win, he won by the largest margin in all the times in his running for Congress

there, and winning his third term in that district. He is certainly no stranger to being outspoken on issues. We are happy to have him as good friend of the Cato Institute and we are happy to have him as a leader on the Social Security issue.

Congressman Pat Toomey.

(Applause.)

PAT TOOMEY,  
REPRESENTATIVE, PENNSYLVANIA

CONGRESSMAN TOOMEY: Thank you very much. Thank you.

It is always tough to go after John Sununu. I want to congratulate him and just share with you my observations from having worked with him for two terms in Congress. John's migration from one end of the Capitol to another will, without doubt, lower the average intellect in the House and raise that of the Senate. And I congratulate the Senate on their gain, and you, John, as well.

I will just give you sort of my perspective on this. And I will tell you that I think one of the most exciting things about the election last month was, well, from my point of view, of course, my win, but also the Republican win. I truly believe it was a victory for genuine ideas versus an intellectual bankruptcy that was playing out in many, many races.

Specifically, in my case, Social Security reform was the centerpiece of a set of ideas, a series of ideas, that were all about promoting personal and economic freedom and the opportunity and prosperity that comes with freedom, versus an absence of ideas really and I think sort of a liberal paralysis that results from the Left's sort of natural aversion to economic freedom and freedom in general.

If I could give you a quick overview of the demographics of my district, I think it is useful as well as the two big issues that played out in my campaign. As you heard, it is a Democratic-leaning district and it is an older district. Pennsylvania is the second oldest State in the country, behind only Florida. And my district is older than the average in Pennsylvania. So, that gives you an idea of the demographics in that respect. It does have a significant Democratic voting registration advantage, a Democratic voting propensity. Al Gore carried my district. My predecessor was a Democrat. So, you start out having to think this through carefully politically.

The two big issues in the campaign were really reflections of the divergent sort of political philosophies of the candidates. It was about economic security, the economy and whether we should proceed with lower taxes or not, and retirement security. And specifically, whether we should reform Social Security or not. It was a very stark contrast which, frankly, I

think works well for Republicans who are willing to advocate a solid pro-growth and conservative and pro-freedom kind of agenda.

And if I can make a quick plug on the tax front, because I think this is exactly parallel to the Social Security message. Which is we have all the demagoguery about this being a tax cut for the rich that we all voted for and President Bush signed into law and how terrible it was and unfair and all the usual message. And my opponent reminded the voters in my district that not only did I support it, but I advocated doing a larger tax relief package.

And I pled guilty to that, and I still plead guilty. I still think that we ought to take that package and phase it in immediately. We should do that. We should get rid of capital gains and the double taxation on dividends and the alternative minimum tax. These are things we still ought to do. This is a discussion that we had throughout the campaign, as well, and that did not cost me this seat.

But Social Security was, as I said, the centerpiece of this discussion. John illustrated the case very well in his discussion with a group of seniors and I have always believed that those who have suggested that Social Security reform is necessarily the third rail of American politics -- that is really a slander against the senior citizens of America. It is really unfair and I think it is very inaccurate.

Of course, these folks care about making sure that the benefits that they paid into a system are going to be their for them. But they care very, very much about their kids and their grandchildren as well. They want to know that you stand for a substantive program that is going to make this system viable for those kids and grandchildren that they care about.

Younger voters, famously, are extremely skeptical about the existing structure of the program. They are already really very far along on this. But seniors can be made to understand, and I think already do understand, the need for the reform.

I will say that I think you have to realistically understand that you have to talk about an issue in a way that does not allow people to get any traction with the misleading messages that come out. The advertisements and the suggestions that we want to take the Social Security money away from people is a message that they still tried in this last election cycle.

Of course, we know that is kind of ridiculous. Republicans have been in control since 1995, and who isn't getting their Social Security check anymore or who is getting a smaller check? Well, obviously, nobody.

Amongst the reformers, who wants to pull the rug out from under anybody who is already retired or even close to retirement? Well, nobody. And we know that. But it is something that, in a political discussion and in a campaign,

people need to be reminded of. And that is something I spent a fair amount of time discussing.

But once you have established that we are not talking about cutting benefits or talking about changing the rules for people who are already retired, the other side finds themselves, I think, in an indefensible position of justifying the status quo when you talk about where we are going to be 15 years or 25 years or 35 years down the road. When you challenge them on that, where do they go?

People who want to just stick with the status quo are implicitly advocating a massive tax increase or a massive benefit cut, or both, and there is just no way around that. Well, neither of those are acceptable. Neither of those are appealing to anybody. That is why I think, politically, this is very much a winnable issue.

We have challenges in moving this forward. And part of them arise from the fact that while the impact of that demagoguery, I think, has been diminished, it is not gone. And there is still a lot of misunderstanding about the nature of the program. So, there is a lot of work to do. And John is exactly right -- the Cato Institute has to continue to play a big role. We have got to discuss this all over America.

To give you an example, I think most people do not really understand the difference between a pay-as-you-go system

and a system that is funded by some other mechanism. I am convinced there are still people in Washington and the rest of the country who think that the Social Security Trust Fund consists of a cave in West Virginia where there are stacks of hundred-dollar bills, and when we run low on cash we drive out there and grab some of that. So, there is a lot of clarification that is necessary.

The final point I will make is a point that I tried to stress whenever I would speak about this to a group. It is one thing to talk about how important and how huge a problem this is for the Federal Government. And this is a huge problem as we all know. If you do any kind of quantitative analysis on this, the present value of the shortfall is staggering. It makes the actual on-budget deficits really pale in comparison. So, there is an important reason to address this from a purely government financing point of view.

But I feel very strongly that there is a much bigger and even stronger reason to do this reform in the right way. And that is its power to liberate millions of American people. The opportunity that we have to reform this program and allow people to accumulate savings would be the first time in the history of the world that average workers and low-income workers, people who today don't have enough money left over after they have paid their bills, to accumulate any savings.

If we reform this the right way, we give every one of those people the opportunity to accumulate wealth in their own lifetime, to see that nest egg grow, to know that they were responsible for creating that nest egg that is available to be passed on to their kids, and to serve their retirement in a way that makes them independent of the political whims of Congress.

I think those changes, of creating a society where everybody is an investor and everybody is an owner and everybody is a capitalist, I think those are profound, enormously important, enormously beneficial for our entire country and, most of all, for the people in America who today do not have the opportunity to accumulate savings and accumulate wealth. So, I think that is, first and foremost, why we need to do this. And the fact that it solves a major financial problem for the government is a great secondary benefit, but it is just that.

So, I am going to urge my colleagues to move aggressively on this. I do not know what more we need to learn politically about this. I think what we need to do is to hold hearings. I think we should have a national debate about this. I think we should go on tours across America and discuss this. I would love to see us mark up a bill and vote on a bill and pass a bill in the House.

I know things move a little more slowly over there on the other end, John, despite your best efforts, but hopefully we

could have an environment where we could get something really very substantively done in this Congress. That is my hope. I think we are on the right side of this issue and we should push as hard as we can.

Thank you very much.

(Applause.)

MR. TANNER: Thank you.

Working at Cato, I often have the opportunity to be discussing policy issues where I am convinced we are right but where it is not always so popular. One of the things we love to do is to be right even when it is unpopular. However, on Social Security, you have the added advantage of having good policy that is also good politics. And it is something in which the public is clearly behind it. Polls have made that amply clear.

We are happy to discuss this a little bit in terms of the election with one of our top pollsters in the country. David Winston, of the Winston Group, did polling immediately following the election. I am told that it was not technically an exit poll; it was a post-election poll. There is a term of art there involved.

David Winston will tell us what the voters were thinking on election night and how they were reacting to the Social Security issue. And with that background, we can understand a little bit better why candidates like the ones we

have here, and people like Libby Dole and people like Jim Talent and Lindsay Graham and Norm Coleman, all across this country won.

David Winston.

(Applause.)

DAVID WINSTON,  
THE WINSTON GROUP

MR. WINSTON: Thank you.

Actually, I want to start off with an interesting contrast in terms of contrasting two elections. Senator-Elect Sununu was referring to an election that occurred in the mid-1980's. Actually, it was the 1986 Senate race where the Democrats very much focused on Social Security. I think it was Bob Squires, as a matter of fact, who was the sort of mastermind on the Democratic side putting together the media. And it was blistering two weeks leading up to the election in 1986 and we actually lost the Senate. We lost six very close races. And I think that sort of set the tone to some degree after that that Republican candidates were truly scared to touch the issue.

In contrast, I find this election to be a dramatic reversal of that. Here you had basically the Democrats rolling out their 1986 plan which had been hugely successful, except this time they had the advantage of actually holding the Senate and

all they were trying to do was retain it. And in fact the exact opposite happened. They ended up losing the Senate and in fact finding candidates who were running on the issue of Social Security succeeding. That is a dramatic shift over a 16-year period, which I am sure is sending quite a few Democrats back to their play book to figure out what is the next step here.

One of the interesting results in this election -- and if I can have you walk away with one number in terms of giving the focus that was put on Social Security by a variety of candidates -- the single best voter group for Republican candidates was 65 and over. Let me say that again. The single best voter group for Republican candidates was 65 and over.

In the post-election survey that I did for the United Seniors, we won that group 56 to 43. It was a 13-point margin, a huge margin. The next closest group was 35 to 44, where it was plus-12, and then everything else was basically in single digits one way or the other. So, the question of how did that message work and how did that message resonate, well, that is the target group in terms of Social Security, and that group clearly voted Republican and toward the Republican message.

I also want to agree on one point before I get to other topics with Senator-Elect Sununu. And that is this is a smart electorate. One of the things that I believe that happened with September 11th was the fact that people decided they wanted to

pay more attention to public policy. I know there was a lot of cynicism about what sort of impact would it have and people would eventually forget, but I think you found an electorate that in fact was willing to pay more attention and so you could discuss complex issues. I think the end result you saw is that we were able to put forth a lot of relatively complex ideas that people actually listened to and we actually succeeded on.

With that, I want to start off by trying to put the concept of Social Security into some sort of context for you. Let me start off with two demographic trends and then I will get into this question. There are two huge demographic trends that are about to happen, and the fact is that most Americans understand this. Most Americans feel, particularly younger Americans and middle-aged Americans, are very concerned that Social Security is probably not going to be there for them unless some reform happens. There is a clear understanding that reform has to occur at some level.

Those two demographic trends are this: One, baby-boomers are about to hit retirement. We are not too far away. That is going to be a huge bubble when that hits. But the other thing, too, which is good news but it is going to be complicated, is that since 1970 the average length a person lives increased by eight years. In 1970 it was about 70 and now it is 78. That is likely to continue. So, not only do we have a huge

bubble that is about to hit, but we also have the fact that people are going to live longer. And in fact that is a trend, knock on wood, that will hopefully continue.

With that in mind, there is this rubric that I am going to describe which is called retirement security, of which Social Security is a critical part, but you need to understand that these are interrelated pieces. This is a question that I asked in another survey toward the end of spring of this last year. I asked: In thinking about your retirement, what concerns you the most?

Number one was health care costs, 27 percent; 21 percent were concerned that they would get Social Security benefits; 16 percent said dealing with their IRA's and 401(k) accounts; 14 percent said being able to afford prescription drugs; and 11 percent were concerned that they wouldn't be able to retire at all.

The key thing to understand is that when you are looking at the issue of Social Security it is a rubric mixed in with a variety of other issues and they all interrelate. The reason people are looking for more return in terms of their Social Security is because prescription drug costs are going up or health care costs are going up and vice versa. The fact that they are looking into Social Security more perhaps than a year

ago is because obviously everybody's IRA's and 401(k)'s have dropped as a result of the stock market a bit.

Having said that, there is a fundamental faith that Americans do have in the economy here. But you need to understand that these issues are all integrated and related.

In looking at this last election, the top issue was economy/jobs, 29 percent; defense/terrorism at 18 percent; education was at 12 percent; health care/prescription drugs and Social Security at 10 and 7 percent. Among those 65 and older, Social Security was at 15 percent. But you can see, if you combine health care and Social Security, which is the predominant component in terms of seniors' concerns, that is on par basically with defense/terrorism at this point. And again, obviously that issue increases significantly for seniors.

The other element in terms of looking at specifically Social Security and this concept of -- sort of dealing with another Tip O'Neill statement, "All politics is local" -- one of the interesting decisions that was made by this White House, and I think you saw candidates adopt it across the board, was this concept that all politics is local. I asked the question: What is more important in how you decide how to vote, your candidate's position on national issues or what they are going to bring home to their district? By a 52-42 margin, people were much more concerned in terms of national issues.

Of that group, those people voted Republican by a 54-41 margin. We won those by 13. Among those who said they were focused at the local level, we lost those 45-49. Part of that was again, to some degree, having President Bush out on the road, helping define those issues at a national level. And I think we saw that in broad terms also in terms of the Social Security issue as well.

This is not a surprising number: 71 percent of people said it was important to them in terms of a candidate's position on Social Security. The concept somehow that this was an issueless election, which I think Democrats clearly want to try to define, is in fact not true. People understood these issues and they were engaged in them. And even on the issue of Social Security, which they did think was going to be their homerun issue, people cared about this issue and they were paying attention to it. Among seniors, that number was 82 percent.

Getting specifically to the issue of being able to take a portion of your Social Security money and invest it in private accounts, let's start off with what was referred to before. In the 2000 election, in the VNS, Voter News Service, exit polls, the question was asked: Would you be willing to have some money put in private accounts or do you want to keep the system the way it is? Fifty-seven percent at that point said they were willing

to put some money into private accounts; 39 percent wanted to keep the system as it was.

Going forward from that, this is data from CNN/USA Today/Gallup, and let me just read through it so you can hear it: A proposal has been made that would allow people to put a portion of their Social Security payroll taxes into personal retirement accounts and that would be invested in private stocks and bonds. Do you favor or oppose this proposal?

You can see, back in June of 2000, it was favored 65 to 30. You see that obviously during the summer there were some concerns that people had, and so you saw the margin drop all the way down to 52-43. But, by Election Day, that margin increased out to 57 percent saying they that favored it and 40 percent opposing it.

A couple of things in terms of people's attitudes and what they are looking for, and specifically dealing with the stock market. People have a fundamental belief that this economy is going to work. I did a poll during the summer, and it was at the height of the worst moments in terms of the stock market. We asked the question: Looking ahead over the next six months, do you think the stock market will improve, remain the same, or decline?

Even at that point, in the midst of what was going on, 51 percent thought it would improve while only 18 percent thought

it would decline. Looking out over the next 10 years, that number jumped to 75 percent thought it would improve and 7 percent thought it would decline. So, there is a fundamental confidence in the American economy.

Also, when you look at focus groups, there is a fundamental belief that most people have that they are better able to manage their money than the government is. One of the tenets in terms of what is being proposed is based on that fundamental value that people really think that they will handle their money better. And they are confident in doing so, because they look at the rate of return and they realize they are not getting at all what they could. Even putting it just simply in a Treasury bond they would be significantly better off.

So, even at the end of what would have to be two of the worst years that the stock market has seen, you find that 57 percent are still willing to favor a proposal that will allow them to invest part of their Social Security in stocks and bonds. In terms of the post-election survey we did I had a very similar number, and here were the two ways we phrased it: Which approach do you prefer, a system where you have a choice as to where you can invest part of your Social Security retirement money? Fifty-seven percent said yes to that. Or a system where the Federal Government holds all of your Social Security retirement

money? Thirty-seven percent said yes to that. Again, not particularly dissimilar to what you see here with CNN/Gallup.

But the key thing in terms of looking to the future -- and this is just a dramatic contrast -- is looking at this by age. This is where the challenge and the opportunity is sort of all rolled up into one. If you look amongst 18- to 34-year-olds, who really, when you ask the question, do they think it is going to be there, they don't. But they favor being able to invest part of their Social Security money, 72 percent favor it and 24 percent oppose it. For 35- to 44-year-olds, 68 percent favor it and 27 percent oppose it. For 45- to 54-year-olds, it is 65 to 32 percent. Those are just huge margins, just huge margins.

When you get into where people are really beginning to face the prospect of having to rely on this money, you see, for 55- to 64-year-olds, it is a much slimmer margin of 49 to 42 percent. And for those people who are actually receiving checks, it is 37 to 53 percent. Those people that are receiving checks really don't want to hear, gee, we are going to change the system, because they hear that happening here in Washington a lot. And, basically, what that ends up meaning is they get drilled in the process.

So, one of the key communications challenges that exist is making sure that seniors understand in fact that they are not going to be thrown out of this program. They are going to get

the money that they have been promised. That money is going to be there. That is a message, if you take a look at the plans that are out there, that all those plans drive. But the problem that you have is at this point seniors just don't believe it. They are nervous about it. Washington is not necessarily a culture that they trust particularly when they have to rely on these dollars.

Having said that, if those two groups move, or when those two groups move, this will be a 70 percent issue. And that will create the critical mass by which you can then get this through both the House and the Senate and then onto the President's desk. So, the communications challenge here is how do you convince those two voter groups, 55 to 64 and 65-plus, that in fact their Social Security and retirement is not going to be touched.

Thank you.

(Applause.)

MR. TANNER: Well, there you have it, good policy and good politics.

(End of Panelist Presentations.)