CHAPTER 1

From the Poorhouse to Free Parking

At 8:46 A.M. on Tuesday, September 11, 2001, American Airlines Flight 11 crashed into the North Tower of the World Trade Center. At that moment, Beatrice M. Disman, the New York Regional Commissioner of the Social Security Administration, was entering a conference room at the program's headquarters in Baltimore, Maryland. A few minutes later, she was handed a note, which she quickly scanned. Bolting from the room and grabbing a phone, she hurriedly called her New York office, located a short walk from the World Trade Center—close enough that many of her colleagues had seen the plane hit the tower. She reached the assistant regional commissioner, who told her, "We're evacuating." Disman responded that she was returning to New York immediately.

By Thursday, September 13, two days after the attack, Social Security was in overdrive. The families of virtually every worker who perished that day were entitled to benefits under the program. The daunting task facing Social Security was to identify those families, contact them, and help them secure the financial protection their loved ones had earned for them.

The Social Security Administration was among the first insurers to meet with employers and victims' families. Its employees worked with the New York Police Department, the Fire Department, and the Port Authority to find the families of every firefighter and police officer who had died. Social Security employees were at the Family Assistance Centers established at Pier 94 and Liberty State Park. They set up a special Web page, informing the families of the victims how to apply for benefits, as well as displaying the 800 number and a link to Social Security's office locator.

By Sunday, September 16, public information spots about Social Security were running on every major network affiliate in New York City, on the local television stations, and on Spanish-language stations. In addition, Social Security distributed press releases and fact sheets to national media outlets and advocacy organizations. Lines of communication were established with local hospitals and the New York City Labor Council.

Program representatives called the families of every missing employee of those companies located in the World Trade Center. Social Security caseworkers spoke with the families of each missing firefighter and each missing police officer. The program contacted a number of the city's largest financial service corporations, which might have had people in the World Trade Center on the day of the attack. The program's employees phoned the union that represented the restaurant workers in the World Trade Center. To make sure Social Security reached foreigners who might be eligible for benefits, its representatives called over 60 consulates. All of these steps were taken on top of Social Security's normal workload.

Social Security employees worked 15-hour days, seven days a week to get benefits to the families as quickly as possible. Long though the hours were, the program's employees were eager to work. When Disman asked her managers to find people willing to help on the weekend, the response was overwhelming. The employees did not want to leave their long shifts to go home and rest. The people in the World Trade Center were their friends and neighbors, and the Social Security representatives knew that they were throwing an economic lifeline to the families when they needed help the most.

A stay-at-home dad lost his wife in the World Trade Center on September 11. In the midst of his grieving, he could see no way to remain at home with his child or support the child at the level they had been living. Unaware of the valuable Social Security benefits his wife had earned for her family through her work, he reluctantly put the family home on the market after that tragic day. The call from Social Security, from out of the blue, was a godsend. He hung up the phone and called his real estate agent. He could keep his home, after all.

Social Security recognized that it was vital to get benefits to the families quickly. In anticipation of natural disasters and other tragedies, the

Social Security Administration had long-standing emergency procedures in place. In response to the attack, it invoked those existing procedures, which included, among other emergency measures, waiving the standard requirement of a death certificate, instead relying on airplane manifests and employer work records as proof of death.

On October 3, 2001, three weeks after the terrorist attack, Social Security checks were mailed and electronically transferred, as they are every month, to program beneficiaries. Included among the 47 million people receiving Social Security benefits in October were the stay-at-home dad, his young child, and thousands of other members of families who lost loved ones on September 11.

In the chaotic aftermath of that tragic day, millions of Americans reached into their pockets to contribute to the Red Cross and other charitable organizations assisting the families of the 9/11 victims. But the most immediate, sustained, and generous support for those families came from Social Security. Today, virtually all working Americans continue to contribute to the 9/11 families every payday. The money withheld from every worker's paycheck for Social Security goes into the program's Old Age and Survivors Insurance Trust Fund, out of which those victims' families receive benefits. Virtually every child who lost a parent in the terrorist attack will receive a Social Security check every month until his or her late teens. So will the children's surviving parents who care for them.

Just as the actions of the brave police and firefighters in response to the terrible events of September 11 filled all of us with gratitude and pride, so Social Security's response to the attack on America might have led us to celebrate this vital institution and recognize its value in our modern, insecure world. Instead, as Social Security was diligently finding and assisting the families of the victims, President George W. Bush had the program in his crosshairs.

Four months and 9 days before September 11, President Bush established a Social Security commission. The president instructed it to report back to him with changes that "must include individually controlled, voluntary personal retirement accounts." Three months and 10 days after September 11, the commission filed its report with the President.

The commissioners offered three alternatives in response to the President's directive to develop private account proposals. Just like the proposal President Bush unveiled once he was safely reelected, all three alternatives diverted a substantial percentage of the current Social Security payroll tax to fund individual accounts.

Only two of the three alternatives put forward by the commission addressed the long-range deficit that was projected in the Social Security program. Both recommended fundamentally altering Social Security through a technical adjustment to the benefit formula, just as the President himself proposed in a press conference on April 29, 2005. Although President Bush talks about strengthening Social Security, his proposals would profoundly weaken the system and radically transform it from a program of social insurance into a program of individual self-help.

Social Security provides a specified percentage of a worker's earnings in the event of death, disability, or old age. In contrast, the President's indexing proposal would cause Social Security benefits inexorably to erode into a very minimal, almost flat benefit, largely unrelated to earnings. Americans would be on their own to supplement the meager benefit with whatever they could accumulate in their own individual accounts. In his late night monologue, comedian Jay Leno succinctly and accurately summarized President Bush's Social Security plan as "Good luck, Grandma. You're on your own."

For the first time in the 70-year life of Social Security, a President has proposed undoing this program that provides security to so many. The President seeks to focus public attention only on the part of Social Security dealing with retirement. But Social Security is not just a retirement program; it is, more accurately, a family protection program. Social Security is the nation's largest children's program. Over 5 million children live in homes where part or all of the family income comes from Social Security. Over 3 million children receive Social Security as dependents of deceased, disabled, or retired workers—including virtually all the children who lost parents on September 11, as well as the children of fallen and disabled U.S. soldiers in Iraq, Afghanistan, and elsewhere.

All parts of the program are interwoven. One single benefit formula generates payment amounts for all beneficiaries: retirees, disabled workers, spouses, widows, widowers, and children. The retirement strand of the program cannot be removed without unraveling the entire fabric.

In the current debate, President Bush has attempted to convince Americans that Social Security is outmoded and fundamentally flawed—created long ago, designed for the last century, and unworkable for an aging population. But knowledge of the program and its vivid history reveals that Bush's assault is just another battle in a long-standing ideological war. A small minority, outside the mainstream, has always believed that all but the neediest individuals should be completely on their own and has long fought a campaign against Social Security.

Some of the most powerful and wealthy families in America considered President Franklin Delano Roosevelt a traitor to his class because he championed Social Security and other progressive programs and policies. President George W. Bush's grandfather, Prescott Bush, once remarked of Roosevelt: "The only man I truly hated lies buried in Hyde Park."

Opponents of Roosevelt fought against Social Security in 1935. The program was a major campaign issue in the waning days of the election of 1936. At the time of the election, Social Security had been enacted just the year before and no taxes had yet been collected or benefits paid. Nevertheless, Republican Presidential candidate Alf Landon and his supporters did everything they could in the closing weeks of the campaign to undermine support for the program. In words that sound astoundingly like those uttered by President Bush today, a *Time* magazine article of the day summarized the position that Landon and his supporters had espoused concerning Social Security in the just-completed election: "Said Republicans: 'Wage earners, you will pay and pay in taxes…and when you are very old, you will have an I.O.U. which the U.S. Government may make good if it is still solvent.'"

Even Roosevelt's landslide reelection victory did not stop the diehards. A small intransigent group continued to oppose Social Security in the decades following its enactment. When Social Security started projecting deficits in the mid-1970s, opponents of the program saw an opportunity to spread doubt and anxiety.

Just like today, the overblown rhetoric of "crisis" and "bankruptcy" was swirling around Social Security in the late 1970s and early 1980s. In 1978, a candidate running hard for a congressional seat in west Texas spoke to a group of real estate agents about Social Security in a campaign stop at Midland Country Club. "[Social Security] will be bust in 10 years unless there are some changes," the candidate claimed, adding: "The ideal solution would be for…people [to be] given the chance to invest the money the way they feel." The candidate's name: George W. Bush.

Throughout its storied history, Social Security has had its foes, but it has also had its champions. At every stage, people who have believed in the common good and the values of family and community have worked to give Social Security life and vigor. Some are famous names from history, but others are unsung heroes. One outstanding leader in the creation and development of Social Security is Arthur Altmeyer, a serious, bespectacled, scholarly man, called "Mr. Social Security" by President Roosevelt. Another is the gregarious, energetic Wilbur Cohen, about whom Senator Paul Douglas quipped, "…an expert on Social Security is a person who knows Wilbur Cohen's telephone number."

One more invaluable hero is the dignified and personable Robert M. Ball, who the late Senator Daniel Patrick Moynihan said was "as wise a counsellor as any Senator will know." Still another is Robert J. Myers, a tall, shy, soft-spoken actuary, whom Moynihan labeled "a national treasure." These people and many others have played crucial roles in Social Security's dramatic history, a story that includes riveting accounts of dedication and conflict, of perseverance and close calls, of visionaries and determined opponents.

The work of all these supporters and defenders has always been backed by Social Security's most important champion, the American people. Through its many challenges, Social Security has always emerged victorious, because Americans have remained committed to this essential program. The large majority of Americans have supported Social Security because it embodies the best of American values, including reward for work, compassion, fairness, foresight, and prudent, conservative management. This unflagging support has permitted Social Security to eradicate much of the economic insecurity of the past and to transform society.

Before the enactment of Social Security, people worked as long as they could hold jobs. But this was an insecure state of affairs. The fast pace of many jobs "wears out its workers with great rapidity," a commentator noted in 1912. "The young, the vigorous, the adaptable, the supple of limb, the alert of mind, are in demand," he explained. "Middle age is old age."

Once a job was lost, an older worker could seldom find a new one. Older people almost never had sufficient savings to last until death. The dilemma of saving for one's own retirement was described in 1934:

> A man's productive, wage-earning period is rarely more than 45 years. Under present conditions he must earn enough in this period to contribute toward the support of aged parents, rear and educate children, maintain his family at a standard of living more or less consistent with American ideals, and save enough in the form of insurance or absolutely safe investment to provide a modest income until death, if he survives his working period. This last

> item of his budget is the one least urgent, least stressed by advertising propaganda, and most easily disregarded among the many financial demands.

Other than the reference to supporting one's parents—a job largely taken over by Social Security—the description of the difficulty of saving for retirement could have been written today.

Those unable to work almost always moved in with their children. Those who had no children or whose children were unable or unwilling to support them typically wound up in the poorhouse. The poorhouse was not some ancient Dickensian invention; it was a very real means of subsistence for elderly people in the world immediately preceding Social Security.

When Social Security became law, every state but New Mexico had poorhouses (sometimes called almshouses or poor farms). The vast majority of the residents were elderly. Most of the "inmates," as they were often labeled, entered the poorhouse late in life, having been independent wage earners until that point. A Massachusetts Commission reporting in 1910 found, for example, that only 1 percent of the residents had entered the almshouse before the age of 40; 92 percent entered after age 60.

A higher percentage of men wound up in the poorhouse, even though women's life expectancies were longer than men's, just as they are today. The reason for this surprising result, according to a 1919 Pennsylvania commission, was that women's traditional work around the house was useful even as they aged. Consequently, the commission discovered, "Children or relatives will make greater sacrifices in order to keep an old mother at home and prevent her going to a poorhouse, than they would for an aged father or other male relative."

The poorhouse was a fate to be dreaded. Even in as progressive a state as New York, the conditions were abysmal. In 1930, the New York State Commission on Old Age Security found that "worthy people are thrown together with whatever dregs of society happen to need the institution's shelter at the moment; sick people are thrown together with the well, the blind, the deaf, the crippled, the epileptics; the people of culture and refinement, with the crude and ignorant and feeble-minded."

"Privacy, even in the most intimate affairs of life, is impossible; married couples are quite generally separated; and all the inmates are regimented as though in a prison or penal colony," the commission reported. It noted that "private possessions, other than the clothes on the back, are almost out of the question, since individual bureaus, closets, tables or other articles of furniture, outside of a bed, are generally not provided."

The poorhouse was always lurking in the background, haunting people as they aged. It was a powerful, ubiquitous image in the general culture. The early Monopoly boards, beginning with the game's invention in 1903, contained a square labeled "Poorhouse." Today, in a world with Social Security, that same exact square reads "Free Parking."

Poorhouses and destitute senior citizens were a fact of life well before the Great Depression. Surveys by Wisconsin and New York, published in 1925 and 1929 respectively, found that almost half the population aged 65 and older had "insufficient subsistence income." A writer in 1912 described the inevitable fate most Americans faced as they aged:

> After the age of sixty has been reached, the transition from non-dependence to dependence is an easy stage—property gone, friends passed away or removed, relatives become few, ambition collapsed, only a few short years left to live, with death a final and welcome end to it all—such conclusions inevitably sweep the wage-earners from the class of hopeful independent citizens into that of the helpless poor.

What follows is the story that changed that inevitable ending.