

A Nation of Citizen Investors

By James Glassman

“The more ownership there is in America,” said George W. Bush last June, “the more people have a vital stake in the future of this country.”

This is a profound notion. The idea behind what the President has called the “Ownership Society” is far larger than any proposal to reform Social Security, or make homebuying easier, or boost the economy by cutting taxes on dividends. Bush wants more ownership because he wants to change the shape of America. He understands that people who own stocks and real estate—who possess wealth of their own—have a deeper commitment to their community, a more profound sense of family obligation and personal responsibility, a stronger identification with the national fortunes, and a personal interest in our capitalist economy. (They also have a greater propensity to vote Republican.)

If he succeeds, the President may be able to shift the entire foundation of our domestic politics. Today’s Entitlement Age, based on New Deal assumptions that discourage economic independence and often place government in a role antagonistic to the private sector, will fade. And there will rise instead an Ownership Society, based on the assumption that when families share in the growth of businesses and the economy, everyone benefits.

Turning investors into a political force

Dramatically more Americans possess financial wealth now than in the recent past. As recently as 1980, only 4.6 million U.S.

households owned mutual funds; by 2003 that figure had roared upward to 53.3 million. More than half of American families currently own stocks, bonds, or real estate. Meanwhile, a record 83 percent of married families now own their own homes.

But don’t underestimate the difficulties in convincing these Americans to begin acting as a political force. These owners have little group consciousness. They don’t see their interests as distinct, the way that seniors, for example, do.

About ten years ago, I began thinking about starting an organization whose mission would be to expand, educate, and represent this burgeoning group—which at the time was called the “investor class” (a phrase I never liked, because of its Marxist connotations and its

aura of separateness). “Ownership Society” is much better. Ownership can change a person. And an Ownership Society—as opposed to a class of any sort—can comprise an entire nation.

Late in 2004, some partners and I launched a group called

James K. Glassman is a TAE contributing writer and a resident fellow at the American Enterprise Institute.



Investors Action and conducted some preliminary opinion research. We learned that investors are strikingly different from non-investors in certain ways:

- Investors are far more likely to vote than non-investors. We commissioned an exit poll of 1,000 voters in the recent November election and found that 70 percent those casting ballots identified themselves as investors (owners of stocks and bonds, either individually or through mutual funds, in accounts that they themselves manage).

- Married voters were much more likely to have a stake in the market than non-married voters: 78 to 56 percent.

- Investors preferred Bush over John Kerry by 52 to 46 percent. Non-investors were split: 45 percent for each candidate. (A similar gap existed in the 2000 election, where Bush led Al Gore among investors by 51 to 46 percent.)

- The investor gap is not simply a function of income and age. It shows up in many demographic slices. For example, our survey found that among voters under age 50, investors preferred Bush, 51 to 43 percent, while non-investors favored Kerry (53 to 41 percent).

- Likewise, among people pulling in less than \$40,000 a year, the two candidates were in a virtual tie (Kerry leading just 47 to 46 percent) with those who were investors. Non-investors, meanwhile, preferred Kerry over Bush by a whopping 57 to 36 percent.

- In an earlier study conducted just before the election, we found that among respondents under age 50, some 63 percent of investors said that, given a choice, they'd rather put money into a personal account than into payroll taxes. That view was held by 50 percent of non-investors of the same age.

- Investors were also more likely than non-investors to believe that the country was headed in the right direction, that jobs are available in their community, and that this is "a good time to invest in the stock market."

It's a new world

Ownership can profoundly change the way people see the world. The strict dichotomy between labor and management, which played a key role in U.S. politics from the 1930s to the 1970s, has broken down—partly because of the decline of unions and the restructuring of the economy, and partly because workers have become owners. Americans see their interests as aligned with businesses they have poured their savings into.

Does ownership make people more responsible, more committed to family, community, economy, and nation? Of course. That's why the opposition on the left to personalized Social Security accounts is so intense. It verges almost on panic.

James Surowiecki, denigrating Social Security reform in *The New Yorker*, writes, "The Ownership Society promises freedom, but at the price of a huge shift in risk, away from government and society and onto individual citizens."

Nonsense! We have developed massive institutions to manage risk—insurance companies, banks, investment firms, fund

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pools. The risk in a stock-and-bond portfolio, held for a long period, is minimal. For example, since 1926, a portfolio divided 50-50 between the S&P 500 stock index and long-term U.S. Treasury bonds has never lost money over any ten-year period. The *worst* performance for such a portfolio over a 20-year period was a 4.6 percent average annual gain.

"Freedom of choice is a beautiful thing," writes Surowiecki. "But the Bush plan is asking you to swap an insurance policy for a lottery ticket."

Not at all. Reformers are asking Americans to swap government promises to tax future workers in order to support future retirees for a system that gives individuals the liberty and responsibility of building their own retirement nest eggs. Most Americans buy their own homes, and this is far more difficult—requiring deep debt earmarked for a single, non-diversified asset—than building a retirement account, bit by bit, over 30 or 40 years.

"Who's against ownership?" writes Surowiecki, wide-eyed.

Well, lots of politicians and journalists and interest groups on the left are. And no wonder. Imagine if Social Security reform brings the proportion of Americans holding financial assets from half to three quarters or four fifths. The social and political landscape of America will shift dramatically.

That's why the old FDR political coalition is fiercely resisting the personal ownership revolution—even to the absurd point of claiming that today's Social Security and Medicare systems are in fine shape. The *New York Times* argued in a January 3 editorial that if it weren't so dangerous, President Bush's "urgency" about fixing Social Security "would be silly."

In truth, the system faces insolvency unless taxes are raised and benefits are cut substantially, and no responsible authority fails to recognize the seriousness of this. But even if the system were solid, a shift toward personally managed accounts is absolutely appropriate. For modest-income citizens in particular, the chance to build inheritable wealth could open the door to a whole new life.

The Ownership Society is the biggest political idea since the New Deal. No wonder it threatens the party that dominated government for the half-century after Franklin Roosevelt's election as President. But desperately clinging to the social and political philosophy of the 1930s is a losing proposition in a nation that has changed as profoundly as ours has in the three generations since.

