

Letters and Response (Stemming from Boomer Blues)

Reason Magazine, June, 1997

While your instincts to privatize Social Security are admirable, the March articles by Carolyn Lochhead ("Clash of the Titans") and the review of Pete Peterson's scare book by David R. Henderson ("Boomer Blues") were both irresponsible and more like tabloid journalism than legitimate commentary.

Although there may have been 35 workers to one Social Security recipient in 1935, 30 percent of the population was on the farms to grow the food we needed. Now it's 2 percent. It used to take hundreds of men (and horses) to build a road; now two men with a CAT and a loader do more in less time. There used to be hundreds of thousands of telephone operators--now there are essentially none. It used to take 200 hours to build an (inferior) car; now it takes 25. And on and on.

By 2030, because of continuing productivity gains, there will be no need for more than two workers to support each recipient. And keep in mind Social Security recipients are not supported by the money they didn't spend in 1950; they are being supported by today's production of goods and services. That will always be the case; you can't save up production.

It doesn't make any difference, really, whether you invest in the market or otherwise. Overall, production is the key, not money. You libertarians should know that.

Don J. Smith
Rancho Mirage, CA

I was disappointed by the analysis of Social Security in the March issue of *Reason*. Both the feature "Clash of the Titans" and the book review "Boomer Blues" erred by mistaking macroeco-nomic problems with their microeconomic analogs. Microeconomically, there is much for a libertarian to dislike about a compulsory program like Social Security. However, both articles concentrated (naturally) on the problem with Social Security, namely that the aging of the baby boomers will

result in a very unfavorable ratio of workers to retirees, threatening the fiscal soundness of the system.

Admittedly, the trust fund view of Social Security is a myth. However, the articles seem to imply that other plans, such as using the stock market, are true trust funds. In reality, all retirement plans rely on transfer of funds from those presently working to those presently retired. (If you believe there is an alternative, picture cryogenically freezing chicken salad sandwiches for your retirement.)

Therefore, the choice between Social Security and other programs makes no difference macroeconomically with regard to the most important problem. We must transfer from workers to retirees, and there soon will be fewer workers for each retiree, no matter what sort of national retirement plan we have. The only solutions are: 1) investment in foreign countries with different demographics; 2) increased immigration in the future to make up the worker shortfall; or 3) investing in the development of less labor-intensive manufacturing and service provision. Other discussions, while possibly important in their own right, just don't address the vital demographics issue.

Thomas Cunningham
Pasadena, CA

David Henderson replies: Both Don Smith and Thomas Cunningham make interesting and valid points. Neither point, though, is inconsistent with what I wrote. Smith's major idea is that productivity will increase in the future as it has in the past. He's right, which is why the Social Security taxes required to pay for benefits in 2040 will be around 20 percent of payroll rather than, say, 50 percent. Cunningham writes, correctly, that even a retirement fund holding stock would require a transfer from those currently working to those currently retired. But there's a huge difference between the two kinds of transfers.

When I receive Social Security in 2017, the "transfer" will be taxes forcibly taken from some innocent person then working. If I start to cash in my IRA that same year, the "transfer" will come from a company that voluntarily accepted that

contractual obligation. This gets back to Smith's point that "you can't save up production." Actually, in a sense, you can. Imagine that Social Security had never been started. Then, from the 1930s on, consumption would have been lower, because the government would not have turned the funds over to old people, and capital investment would have been higher. There would then be a larger capital stock today and, with the same amount of labor, more production.

Exploding Airbags

Brian Doherty arrives at the right conclusion on airbags, but for the wrong reasons ("Airbags and Gasbags," March). He says that "airbags are much more likely to save someone than to kill them" but that people should still have the right to disconnect the bags or, presumably, not buy them at all, out of libertarian purity.

But Doherty's analysis is too shallow. True, airbags overall have saved more than 1,000 lives since 1990, while killing only a little more than 50. However, the relevant question is this: Are there identifiable groups for whom airbags provide little or no extra protection? The answer to that is yes. Data from the National Highway Traffic Safety Administration show that, statistically, children under age 13 are three times more likely to die in cars with airbags than in those without. It may be that airbags pose a "tiny" risk to children compared with all other risks. But it is clear that young people are safer in cars without airbags than in those with them. Those 70 and older get no statistically significant benefit from airbags, NHTSA found. Short people are also at greater risk. Most of the adult drivers killed by the device were around five feet tall.

Together, these groups make up roughly one-quarter of the U.S. population. It is not enough to say that people should be free to opt for more risk. Under current government rules, many car owners are forced to pay extra for no benefit whatever. That's a point almost everyone, including Doherty and Michael Fumento, has missed.

Finally, a note about media coverage. In this instance, it was media pressure that forced a government agency to respond to real risks that it had been covering up

for decades. Kudos to the reporters who explained these risks to readers in the face of unrelenting airbag hyperbole from government officials and so-called safety advocates.

John Merline
Washington Bureau Chief
Investor's Business Daily
Washington, DC

When it comes to airbags, Brian Doherty's freedom-of-choice philosophy is right, but his facts are wrong. He characterizes the risks posed by airbags to children as minuscule, in contrast to the large number of lives saved by airbags. According to *Reason* Science Correspondent Michael Fumento, Doherty tells us, this is yet another overblown epidemic "hyped by an alarmist media."

But while Fumento has been brilliantly incisive on many issues, the airbag isn't one of them. In his op-eds he has dismissed the issue as paling beside such public health problems as childhood obesity and folic acid deficiency. Fumento views the Department of Transportation's proposal to allow deactivation of airbags as a reaction to "hysteria." The airbag's risks, however, are not so easily dismissed. According to the National Highway Traffic Safety Administration, for front-seat occupants aged 10 and under, the airbag raises the risk of death by up to 120 percent. By comparison, lap-shoulder belts reduce fatality risk by 40-50 percent. If the airbag's threat to kids is really too small to warrant attention, so are the benefits from wearing belts. By Doherty and Fumento's logic, it's a waste of time to buckle up, let alone make our children buckle up.

More important, current airbag risks are the result not of nature or technology but of politics. Airbags are designed to satisfy not consumer demand but an across-the-board federal rule. If there were no government mandate, airbags would be a matter of choice, not fiat, and airbag designs would not all be focused on protecting the 167-pound, unbelted male enshrined in the current federal standard. By Fumento's public health standards, no government fiasco in this country would count for much--not FDA delays in drug approval, not IRS abuses, not Waco. But the standards applicable to natural or chosen risks are

different from the standards we apply to political outrage. Nature can do pretty much whatever it wants, but we're still entitled to a government of limited power. It's for this reason that media hype and public anger over airbags are to be applauded, not derided.

Sam Kazman
General Counsel
Competitive Enterprise Institute
Washington, DC

Brian Doherty replies: I appreciate Mr. Merline's laying out in some detail the differential risks that the government ignores by imposing a single safety standard on everyone. The point that children under 13 are advised by these same safety mavens to never be in the front seat of a car with airbags, which I mentioned in my editorial, changes the risks to children considerably, though. That's where the question of "libertarian purity" comes back in: The state ought not dictate safety features that force kids out of the front seats if parents want them there. The dangers of government's tendency in risk regulation to ignore relative risks--to, as I wrote, "mak[e] one, society-wide cost-benefit analysis for everyone"--is what my editorial was about, although length limitations prevented spelling out specifics in the detail Merline did here.

In my editorial, I felt it necessary to acknowledge the point about airbags' risks made by *Reason* colleague Michael Fumento in a newspaper column. This does not mean, as Mr. Kazman writes, that I think the "threat to kids is really too small to warrant attention." In fact, it warranted the attention paid to it in the act of writing the editorial. NHTSA spokesman Timothy Hurd told me that that the increased risk to kids from airbags is only around 20 percent; that is, in two groups of 100 cars, one with airbags and one with seat belts only, if five kids would have died in crashes without airbags, six might have died with them. Lap-shoulder belts, meanwhile, would help anyone live through 40 to 50 percent of crashes that would otherwise be fatal.

Fumento was referring to total deaths caused by airbags, not relative probabilities of death for children who happen to be in the front seat of a car

when an airbag activates. He was making a public service point to assuage panicky parents, not a public policy point. Of course, as Kazman says, the fact that the risk to children, however small, is caused by regulations does change the complexion of the argument.