

**OHIO ASSOCIATION OF
ECONOMISTS AND
POLITICAL SCIENTISTS**

NEWSLETTER
May 2005

Thomas Sutton, PRES., Baldwin-Wallace College
Henry Rennie, VP, Heidelberg College

Jared Farley, EDITOR, Miami University

Call for Papers and Announcing:

OHIO ASSOCIATION OF ECONOMISTS AND POLITICAL SCIENTISTS

65th ANNUAL MEETING

October 21-22, 2005

Holiday Inn City Center

175 E. Town Street

Columbus, Ohio

(614) 221-3281

OAEPS Officers for 2005

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Steve Szeghi	Economics	Wilmington College

OAEPS web page:

<http://www.cwru.edu/orgs/oaeps>

Announcing:

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CALL FOR PAPERS:

The OAEPS is now accepting proposals for papers, presentations, and roundtables for the 2005 Fall Conference. This year will feature a special speaker event on the theme of Entrepreneurship. The OAEPS welcomes submissions on topics in research and teaching in economics and political science. Please submit conference presentation and paper proposals to Henry Rennie, OAEPS Vice President, at hrennie@heidelberg.edu. The deadline for submissions is September 2nd, 2005.

UNDERGRADUATE PAPER COMPETITION:

The OAEPS is also accepting papers in political science and economics for our annual undergraduate paper competition. This is a great opportunity for undergraduate students to participate in a scholarly conference. The best undergraduate papers in economics and political science are eligible for cash prizes; and will be recognized at the annual meeting. Please solicit student submissions. Undergraduate papers should be submitted to Thomas Sutton, OAEPS President, at tsutton@bw.edu. The deadline for submissions is September 2nd, 2005.

OAEPS Mission Statement:

The OAEPS has a proud tradition as the leading scholarly association for social scientists in Ohio. Since 1940, the OAEPS has been devoted to the understanding and dissemination of knowledge and to the facilitation of dialogue regarding economic and political concepts and events. The OAEPS sponsors an annual conference and publishes the *Journal of Economics and Politics*. We encourage papers and panel proposals on all aspects of economics and politics for this year's conference. Winners of the student paper awards will receive a small honorarium, and their paper will be considered for publication in the *Journal of Economics and Politics*.

NEW WEBSITE BUILT FOR OAEPS

The OAEPS website (<http://www.cwru.edu/orgs/oaeps>) now has a new home on the server of Case Western Reserve University, thanks to the efforts of our new website coordinator, Dr. Andrew Lucker (Political Science Department, Case Western Reserve University.) The new website has expanded features, including online access to the *JEP*, recent issues of the OAEPS newsletter, and the facility to register for membership and for the OAEPS annual conference. The website is also being linked to the regional and national economics and political science associations. We are planning to continue building this website to serve as a useful tool for OAEPS members. Please contact us through the website with suggestions. You can also email Dr. Lucker at andrew.lucker@case.edu.

SUBMISSIONS FOR THE *JOURNAL OF ECONOMICS AND POLITICS (JEP)*

The 2006 issue of the *JEP* will feature the theme of entrepreneurship. The *JEP* is accepting papers in economics and political science, and is particularly interested in papers on entrepreneurship, a subject of growing interest in both fields. Please submit papers to Henry Rennie, editor-in-chief of the *JEP*, at hrennie@heidelberg.edu. A double issue of the *JEP* will be published in 2005-2006.

JOURNAL OF ECONOMICS AND POLITICS NOW AVAILABLE ONLINE!

The previous two issues of the *JEP* are now available online through the OAEPS website, located at <http://www.cwru.edu/orgs/oaeps>. Future issues will be added to the website after publication.

Guest Article: **The Ideology of Privatizing Social Security** by Dr. Steve Szeghi, Wilmington College

At least in our old age we would be a community. At least in our so called golden years, we would take care of one another. That is the course this nation chose for itself when the first Social Security Act was passed in the 1930's. We chose to ameliorate and lessen inequality among the elderly. We chose that in our old age we would allow ourselves something of a respite from dog eat dog unbridled capitalism. In social security, the American system of capitalism was strengthened by carving out a sphere of life where the inequality of capitalism would be mitigated: old age, disability, and survivors benefits.

Social Security provided a guaranteed benefit, a floor, something to count upon. With that in mind, millions and millions of American made decisions about consumption, investment, and savings, knowing that social security was there for them. The decisions made by those individual Americans allowed them to perhaps spend more, and engage in more entrepreneurial investment than they would have been able to do without the promise of social security. Those decisions by individuals propelled the economy forward in a manner unknown before Social Security. The effect upon the marcoeconomy was a significantly tamer business cycle. The decades that followed the creation of the Social Security system were prosperous decades indeed. Any look at the American economy, focusing upon GDP, GNP, National Income or any other aggregate of economic activity, in the decades before Social Security verses the decades that followed, reveal higher growth rates, and greater stability in the post Social Security decades.

The complete privatization of social security would blatantly eliminate the social aspect of Social Security. Complete privatization, represents a calculated, vile, act of class warfare by the rich against the rest of society. What else can one expect from Republicans these days? Complete privatization would foist upon the

nation, a coerced private security program. It would be no different than an employer mandated savings plan. A person's return would depend entirely upon what they had put into the plan as well as the specifics of their chosen investments. That is private security. It is not social security. This is exactly what we had before Social Security existed, except that now savings would be forced or mandated by government. The complete privatization of Social Security would erode all aspects of the social in Social Security.

Social Security as currently constituted, by contrast is a guaranteed benefit program. An individual's guaranteed benefit gently rises with their income and what they have paid in social security tax, throughout their lifetime. Yet the poor and lower middle class receive a greater return on what they have paid in through their social security taxes than do the wealthy. In other words social security benefits are calculated in a progressive manner. This of course has always galled the Social Darwinists.

Partial privatization, whereby part of the social security tax is diverted into private accounts, and only the remaining part goes to determine the guaranteed benefit, is also an act of class warfare. It is more insidious than complete privatization, precisely because it allows its supporters to conceal their true intentions. Those whose real goal is complete privatization, know they can not accomplish their goal in one fell swoop. Due to political considerations they hide their real goal. Partial privatization kicks up a lot of dust, in order to confuse the issue in the minds of the public. The public would never go for complete privatization, so this is an attempt to sell abandonment of the social aspects of social security in a piecemeal manner.

The hope of the advocates of privatization, is to first get acceptance for private accounts in any form. Immediately the Social Security System will no longer be truly social, except in part. Under the White House plan, the rate of return will become less progressively structured. An individual's total future benefit will rise more steeply with income than under current law. Additionally the rate of return will vary from one individual to the next on the basis of how well that individual invests. The purpose is to wean us from the idea that in our old age, at least with respect to social security, that we are a community, we are in this together. The purpose is to get us accustomed and eventually comfortable with widely divergent returns from one individual to the next. One person's total benefit under social security will become vastly different from another's. Social security receipts, from one household to the next will become more and more unequal. The care of the elderly will vary more widely than currently. Social Security benefits will become as unequal as income and wealth. The Social Darwinists have hearts that cluck warmly over this prospect.

Once these private accounts are set up, that then allows the guaranteed benefit to be cut initially by a greater percentage than the percentage reduction in Social Security Taxes going into the trust fund. This is how they plan to make social security more secure. They want to reduce guaranteed benefits, in order to reduce the amount the government is obligated to write checks for, in the future. In other words the plan is to make the system more secure by reducing the security it provides to the people who rely upon it. All this talk of privatization is just kicking up dust to conceal the plan to cut benefits. The White House is hoping people can be sold on the idea that they can make up for those reductions by investing wisely (as some would and others would not---for every winner in the stock market there is a loser). Once private accounts are set up however, and once future guaranteed benefits are reduced, the lock is off the vault. The stage is then set for future guaranteed benefits to be reduced again and again, until eventually they go to zero, for all but the very poor. At that point, the dream of the Social Darwinists is realized, the guaranteed benefit will just be welfare for the elderly poor, and all but the poor will no longer have a stake in it.

The biggest problem with partial privatization, if it comes to fruition, is that it will become very difficult for the individual to know how much worse off she is under the Bush plan as compared to the current plan. This is of course the whole purpose of such privatization. It will allow benefit cuts to be camouflaged and concealed. Without privatization, any future benefit cut would be readily apparent to Social Security recipients.

They could compare what they had been promised with what they would get under the new plan. The Bush plan would not allow for a simple comparison. It would divide future benefits essentially into two types, the guaranteed benefit and the benefit from one's private account. Individuals will see their guaranteed benefit cut but will be told they can make up for that in their private account. This would in fact be true for few if any individuals. At any given time, an individual would only know their guaranteed future benefit. Their expected future private benefit would be a matter of speculation. Their total benefit would also be a matter of speculation, so they could never compare directly to see if they were worse off or better off as a result of the Bush plan being adopted. That of course is the intention of the Bush White House.

People like to think the future will be all right, that it will work out. This is what the White House Plan is counting on. They are counting on inflated expectations concerning the returns of these private accounts. They will encourage these inflated expectations in order to camouflage the fact that they intend to drastically and dramatically reduce future benefits in Social Security. They intend to "strengthen" Social Security by weakening the benefits it pays out. Big Brother could not have done better.

What would I do you might ask to address the anticipated shortfall in Social Security. I have three competing proposals to "save" Social Security. Under each proposal Social Security would pay out 100% of current guaranteed benefits past 2041, 2042, 2058, to infinity. Each of these proposals preserves or strengthens the social aspect of Social Security. Any one of these plans is far superior to the White House Plan.

1. Apply the Social Security tax to every dollar of earned income. No more cap. Future guaranteed benefits to those who exceed the current cap will not be greater than the current guaranteed benefit of those who are currently at the max. In addition also apply the Social Security Tax to every dollar of taxable (according to Income Tax law) unearned income (dividends, interests, and capital gains apart from home ownership) above \$30,000 -- indexed to inflation.

2. Raise the top marginal tax rate from the current 35% to 45%. In the 1930's when social security was first created the marginal tax rate was over 90%, by comparison and remained in the 90's until the early 1960's. Just let any future shortfall in Social Security be financed through general tax revenue and raise income taxes on the very rich to pay for it.

3. Agree to finance any shortfall in Social Security through general tax revenue but instead of raising marginal income tax rates, finance the shortfall in the same way the war in Iraq was financed, through deficit spending. With a growing deficit from Social Security perhaps foreign misadventures would become less affordable and less likely, and the USA could rejoin the peaceful community of nations.

CONGRATULATIONS TO OUR UNDERGRADUATE PAPER AWARD WINNERS!

Congratulations to our winners of the Political Science Undergraduate paper competition:

First Place: Emilee Collier, Case Western Reserve University;
Public Opinion Change, 1990-2002: A Continuation of The Rational Public

Second Place: Kiki Musmurati, Baldwin-Wallace College;
North Korea: Nuclear Development Program and Missile Capability

(Note: there were no submissions for economics this year)

LETTER FROM THE PRESIDENT

Greetings! The OAEPS has been very active this academic year, featuring an outstanding annual conference and meeting held last October 15-16th at Baldwin-Wallace College, construction of a new website, facilitation of board meetings using the Blackboard 6 capabilities of Baldwin-Wallace College, and plans for the 65th annual conference to be held October 21-22 at the Holiday Inn City Center in downtown Columbus, Ohio.

Last fall's annual conference was a great success. Friday evening featured a sumptuous reception at B-W co-hosted by the OAEPS and the Northeast Ohio Political Science Network and generously supported by the Political Science Departments of Baldwin-Wallace College and Case Western Reserve University. Guests also enjoyed a lively discussion of politics and the presidential campaigns with Republican state representative James Trakas and Democrat Peter Lawson Jones, Commissioner of Cuyahoga County.

Our Saturday conference featured seven paper panels with twenty paper presentations, roundtable discussions on the 2004 presidential campaigns and the use of student campaign consultants for campus elections, and a workshop on distance learning with Dr. Margie Martyn of the Department of Math and Computer Science at B-W. Congratulations to our undergraduate political science paper award winners, Emilee Collier of Case Western Reserve University, and Kiki Musmurati of Baldwin-Wallace College.

The annual meeting concluded with election of new officers for 2004-2005. Joining me in the important work of leading the OAEPS are Vice President Henry Rennie of Heidelberg College; Secretary Mike Carroll of Bowling Green State University; and our new Treasurer, Gary Keener of Heidelberg College. Many thanks to our new website coordinator, Andrew Lucker of Case Western Reserve University for taking on this work. We are also grateful for the continued good work of our newsletter editor, Jared Farley, and to Henry Rennie for his thorough and careful editing of the *Journal of Economics and Politics*. Also, we bid farewell with thanks and best wishes to former board member and website coordinator Chris Kelley, and to former board member Alan Haight.

I would like to specially thank the members of the OAEPS board and officers for all of their support and good work this year. John Bing, Mike Carroll, Gary Keener, Andrew Lucker, Dennis Miller, Jared Farley, Dennis Petruska, Craig Ramsey, Neil Reid, Henry Rennie, Michael Spicer and Steve Szeghi have all been a great help in many ways to keep the OAEPS moving forward in its mission to facilitate dialogue and understanding about economics and politics in Ohio.

My deepest gratitude is reserved for Mary Ellen Benedict, who has steadfastly worked with good cheer and a warm heart to lead the OAEPS as president last year. Her work on the 2003 conference at Heidelberg College, her persistence at getting the board together for regular meetings, and all of her help with this past year's conference have been invaluable. We are very lucky to continue to have Mary Ellen as a member of the OAEPS board. Many thanks, Mary Ellen!

The OAEPS continues to grow through offering opportunities for exchange and information for our members. Please consider submitting abstracts and ideas for panels and workshops for our 2005 conference. Articles are still being accepted for the next issue of the *JEP*. Also, let us know what you would like to see on our new website. We hope to continue building new features and capabilities this summer. Thanks to all who have participated in and been of assistance to the OAEPS.