

that a tidy and decisive preventive war held the prospect of jumpstarting efforts to democratize the Middle East, Operation Iraqi Freedom has transitioned willy-nilly from a demonstration of “shock and awe” into something very old and very familiar: an ugly insurgency conducted by a tough, elusive, and adaptable foe. On the battlefields of the Sunni Triangle, technology and skill have a part to play; but guts and muscle will determine the outcome.

Whether the muscle of the existing all-volunteer force will prove adequate to the task has become an open question. Already, signs of eroding American fighting power, notably a sharp drop in reserve recruiting and retention, have begun to crop up. Steadily accumulating reports of misconduct by U.S. troops suggest that discipline is beginning to unravel.

This situation cannot be sustained indefinitely. Although the armed services today are by no means confronting the sort of crisis that toward the end of Vietnam brought them to the verge of collapse, the process of institutional decay has begun. Unless checked, that process may become irreversible.

The Pentagon is attempting to “manage” the problem, but such efforts can only go so far. A much-touted internal reorganization of the Army designed to increase the total number of combat brigades may be the equivalent of trying to get five patties rather than four out of the same pound of ground beef. Increasing re-enlistment bonuses, loosening recruiting standards, recalling retirees to active duty, imposing stop-loss policies to postpone the discharge of soldiers whose enlistments have expired, easing restrictions on the assignment of women to forward areas, increasing the reliance on contractors and mercenaries, all of these are mere stopgaps. None get to the core issue: Mr. Bush has too few soldiers doing too many things, while the rest of the country blissfully contents

itself shopping and watching TV.

Some informed observers have argued that in the specific case of Iraq the presence of large numbers of U.S. troops is exacerbating rather than reducing existing security problems. That said, and recognizing that Iraq forms but one facet of the Bush administration’s larger project that aims to purge the globe of tyrants and bring about the final triumph of liberty for all, there can be no denying that a yawning gap exists between U.S. grand strategy and the forces that the Pentagon can call upon to implement that strategy.

In pursuit of the president’s goal of eliminating tyranny, American military forces today are badly overstretched. But the nation is not. In this yawning gap between breathtakingly grand ideological goals and the failure to raise up the instruments of power to achieve those goals lies the full measure of this administration’s recklessness and incompetence. ■

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## Newest Deal

Talk Right, spend Left?

By **W. James Antle III**

“AND SO WE MUST join together to strengthen and save Social Security.” This line from President Bush’s State of the Union address brought many conservatives to their feet, but not because they want to extend the legacy of the New Deal. Their hope is that transforming Social Security will effect the biggest change in the country’s politics since FDR. Yet they should watch carefully: Bush has a terrible record of seeing his free-market reform plans to fruition. With the single exception of tax cuts, whenever efforts to build an ownership society have bumped up against big-government conservatism, big-government conservatism has won.

Social Security reform has become an issue in part because of underlying fiscal and demographic realities. Benefits are scheduled to increase at a faster rate than the payroll-tax receipts that finance them. The ratio of workers paying into the system to retirees drawing benefits is

declining, and those retirees are living longer. Finally, the program doesn’t offer younger workers much in return for their money. All of these problems are going to get worse as baby boomers retire.

But there is also an ideological rationale for many conservatives’ support for partial privatization. The idea is to shift the system away from being an intergenerational transfer of income to one based more on private wealth accumulation. This would be easier to square with the notion that people should prepare for predictable life events like retirement themselves rather than relying on the government. In theory, as people derive more of their income from the workings of the free market than from the welfare state, their sympathy for the former will grow at the expense of the latter. More optimistic conservatives hope to replace the redistributive state with a private-wealth-based ownership society, where the New Investor Class would be a lasting

constituency for smaller government.

Under the Bush administration's plan, in exchange for forgoing some traditional Social Security benefits, younger workers would be allowed to set aside 4 percent of their payroll taxes into a personal account that will be invested in a mix of stocks and bonds. There will also be some as yet unspecified changes that will reduce the growth of future benefits from the old system. If a proposal along these lines passes, and if it works as advertised, many conservatives argue it will result in a long-term reduction of the federal government that will outweigh Bush's budget-busting record from his first term.

That record is precisely what should worry conservatives. A transition from a pay-as-you-go system to one where payroll taxes are diverted into personal accounts will require up-front borrowing, something made more problematic by a declining dollar and mounting deficits. But perhaps more significant is the trajectory of previous Bush initiatives.

It's worth noting that two of the largest expansions of the federal government under Bush started out as incremental free-market reforms. The most egregious example is the Medicare prescription-drug benefit. Although it was a good opportunity to burnish his compassionate-conservative credentials, the case for a non-means-tested prescription drug benefit even for seniors with existing coverage never made much fiscal sense. At \$13.3 trillion, Medicare's unfunded liabilities already exceeded Social Security's. Without the new benefit, Medicare spending was still projected to double as a percentage of GDP by 2040.

The original Bush proposal offered prescription drug benefits to seniors who left the Medicare system for competing private-sector plans. The intention was for marketplace competition and managed care to hold down the

costs and place the system in a better position for further reforms later.

The legislation Congress actually passed turned out differently. Seniors could get comparable prescription-drug coverage without leaving traditional Medicare. This reduced the incentive for retirees to obtain private coverage and for insurers in the marketplace to provide it. It also, predictably, raised the costs.

Rather than resist these changes, the Bush administration aggressively lobbied reluctant Republicans to vote for the bill's passage. Instead of working to lower the bill's final price tag, the administration consistently tried to lowball it. Last year, a Department of Health and Human Services inquiry concluded that then Medicare administrator Thomas Scully threatened to fire the program's chief actuary, Richard Foster, if he told Congress the benefit would cost \$500 to \$600 billion over ten years rather than the \$400 billion legislators anticipated.

If only Foster had been right. The *Washington Post* recently reported that the cost over this period would instead be \$750 billion to \$1.2 trillion. According to a Cato Institute study by Joseph Antos and Jagadeesh Gokhale, even this may be too optimistic: "...[M]ore employers than expected may drop retiree drug coverage under their plans; new drugs may be more expensive than assumed; more retirees may enroll in the drug program than assumed; enrollees may demand more drug treatments..." The program's cost estimates have already increased 80 percent in just two years, and the list of possibilities that could make it even more expensive is long. Medicare's projected shortfall between revenues and benefits—already six times larger than Social Security's—continues to rise, and its trust fund will be exhausted in 2019.

Although nowhere nearly as expensive as the Medicare prescription drug benefit, No Child Left Behind (NCLB) is

another commonly mentioned example of President Bush advancing big government. During his first term, federal education spending jumped 70 percent. But this law was also originally conceived as a way to nudge education policy away from bureaucratic control in the direction of market competition.

NCLB was supposed to offset increased spending and new federal education standards by allowing for greater choice among parents whose children were in failing schools. The White House initially included private school choice as one of their options. The measure's conservative defenders still point to it as a victory for school choice. Armstrong Williams, for instance, cited his longtime support for vouchers as a reason for accepting money from the Department of Education to promote NCLB.

Yet most of these reforms were removed from the final bill in order to win support from Democrats and moderate Republicans. The version of NCLB that passed did not include vouchers. Critics argue that the limited school choice it does offer doesn't significantly expand educational opportunities for its intended beneficiaries.

"In practice," wrote Lisa Snell in *Reason* last year, "children are offered transfers only to other Title I schools. Since most Title I schools are mediocre performers at best, parents have a choice of schools that are only marginally better. Furthermore, the school districts decide which schools parents will be allowed to 'choose'; often they offer only one or two alternatives."

Both initiatives were sold as compromises. In exchange for some increased spending, they were to encourage competition, promote individual choice, and inject market incentives into moribund federal programs. But in order to clear Congress, further compromises were involved. Many of the elements that made these proposals palatable, if not

desirable, to conservatives ended up being stripped out and legislators ratcheted up spending. Instead of fighting to keep the bills closer to their original goals, the Bush administration accepted Congress' handiwork, declared victory, and held a signing ceremony.

Will Social Security reform be different? Although some conservatives object in principle to any forced savings or investment, many others are energized by what they see as a more ambitious free-market reform proposal than Bush's education and Medicare gambits ever were. What, if anything, could go wrong?

Tyler Cowen, a professor of economics at George Mason University who posts on the Marginal Revolution blog, worries that the combination of transition costs imposed by the personal accounts plus the expense of maintaining a "secondary safety net" in case "anyone's account goes bust" will end up leading to a higher tax burden in the long run. He argues that it would be preferable to institute means-testing, transforming Social Security into "a welfare program for the needy elderly" and allowing private savings and investment to remain a voluntary choice.

Berna Brannon, a Social Security analyst for the Cato Institute, argues that the transition costs really just make explicit unfunded obligations the federal government has already incurred. It is, she maintains, better to pay for some of them now in order to reduce costs over the long term, and she is more optimistic about the transition costs, which she argues are often misunderstood. "The financial markets will likely perceive us to be responsibly owning the problem instead of passing it on to the next generation," Brannon says.

Also worth watching are the details that have been left to Congress. There is still the question of what steps will be taken to restrain future benefit spending beyond individual investment. At the

State of the Union, Bush mentioned cutting benefits on a means-tested basis for affluent retirees, instituting price indexing so cost-of-living adjustments would be tied to inflation rather than wage growth, and raising the retirement age, cleverly quoting a prominent Democrat suggesting each one. But he did not endorse any of them, suggesting he wants Capitol Hill to bite first.

The size of the personal accounts is also still in contention. Many House conservatives want younger workers to be able to invest more than just four percentage points of their payroll taxes. Congressman Paul Ryan (R-Wis.) has introduced a bill that allows younger workers to divert an average of 6.4 percentage points; Congressman Sam Johnson's (R-Texas) bill would codify Cato's proposal of 6.2 percentage points.

The argument is that larger accounts will allow workers to accumulate bigger nest eggs, reduce their dependency on traditional Social Security benefits by a greater amount, and make it politically more risky for a future Congress ever to try to reduce the accounts. "We're still

hopeful that the account sizes will be bigger," says Brannon. "There is still a lot of wiggle room."

Others have reforms in mind that conservatives will find less to their liking. Key Democrats hope to prop up Social Security by increasing the progressivity of the payroll tax. The idea received bipartisan cover when Sen. Lindsey Graham (R-S.C.) earlier this year suggested raising the income to which Social Security taxes apply, currently capped at \$90,000. To avoid a filibuster, Republicans may need to secure five Democratic votes for Social Security restructuring. Will free-market reforms again be jettisoned so that Bush can sign a bill?

Social Security reformers nevertheless remain optimistic. "If we end up with personal accounts, with real ownership, and no increase in the payroll tax, any bill will be a step in the right direction," says Brannon. "Individual accounts are essential."

Such benchmarks are also essential to ensure that conservatives don't once again vote for ownership only to get warmed-over welfarism. ■

## How to Destroy a Nation

We're already well underway.

By Richard D. Lamm

I HAVE A SECRET PLAN to destroy America. If you believe, as many do, that America is too smug, too white-bread, too self-satisfied, too rich, let's destroy America. It is not that hard to do. History shows that nations are more fragile than their citizens think: no nation in history has survived the ravages of time. Historian Arnold Toynbee observed that all great civilizations rise and fall and that "an autopsy of history would show

that all great nations commit suicide." Here is my plan:

1. We must first make America a bilingual/bicultural country. History shows that no nation can survive the tension, conflict, and antagonism of two competing languages and cultures. It is a blessing for an individual to be bilingual; it is a curse for a society. One scholar, Seymour Martin Lipset, put it this way: