Jan Pesek, MPM's engineering manager, says the company had actually been working on the system since the 1980s. "We knew what was needed, but we didn't have the tools." Those finally arrived in 1991-PCs, with software from Microsoft.

Repeated thousands of times, in virtually every industry, that kind of story powered the productivity boom we now call the New Era or New Economy. While it often took years before end users began to benefit, it was the combination of chip speed and highly adaptable software that fuelled the boom of the late 1990s. Federal deficits did not hinder that explosion of technology or the investment that it required. Quite to the contrary, it was Reagan-era tax cutting that created the incentives for venture capital funds to form and take risks by investing in the people behind the technology. As long as there are taxes in this world, capital is not a fixed commodity. Tax cuts increase the available pool; big government drains it.

Free trade, welfare reform and a reduction in government spending as a share of GDP-those are the Clinton policies that fostered the boom in economic growth, not shrinking deficits. The true burden of government is the size and scope of taxation and spending, not the size of the national debt. And as Larry Summers is well aware, federal debt can be a national resource. Treasury bonds provide a risk-free benchmark for the capital markets. They allow foreign central banks to support the use of the U.S. dollar in their own economies. And they provide an efficient means for municipal governments to escrow refunded issues without risk.

The "crowding out" argument risks obscuring the real drivers of our economy: low taxes, less spending and reduced regulation. They enhance innovation, risk-taking and entrepreneurship. The deficit should not be the focus, government spending should be. The bigger the government, the more "crowding out" there will be. It's common sense.

CORBIS

VISION DEFICIT

SOCIAL SECURITY ISN'T ABOUT THE NUMBERS

BY DAVID RICARDO

The battle to permit taxpayers to direct some shred of their payroll taxes into individual investment accounts is suffering from vision deficit. Despite the trillion-dollar numbers, discussion of Social Security's supposed 50-year actuarial shortfall defines what *The Washington Post*'s old cynic-in-chief Ben Bradlee called "a room emptier." And even that is positively sexy compared to angels-on-the-head-of-a-pin analyses of bookkeeping fantasies like Social Security's "trust funds" or the sacrosanct "lock-boxes" that politicians promise will "forever" protect various streams of tax revenues. Uggh.

You don't have to be a supply-sider—though it certainly helps—to see that a pay-as-you-go system transforms potentially useful investment capital into brain-dead transfer payments.

For defenders of the Social Security status quo—the unions, liberal Democrats, even (dirty little secret) much of Wall Street—the whole debate is unfolding on precisely the kind of political terrain they love best. Social Security's policy-jargon barbed wire and fiscal trenches are an ideal killing ground for new ideas. Phony hot-button issues—disability and widows' benefits—serve as pop-up landmines, even though no one is threatening to touch them. When all else fails, there's boredom and fear, generating heat but no light. Worse—or better, if you like—they obscure deeper, more exciting issues that might actually catalyze a broad coalition for change.

So let me suggest the real question: can the United States create a new stakeholder capitalism, a society in which all taxpayers have at least the choice of owning investments that will raise savings and national growth rates, provide better retirement incomes and create family wealth? Or, do we have to muddle along with a tax-based retirement system that discourages savings and drags down growth? Do we really have to indenture our children and grandchildren to cover our stay on Golden Pond?

You don't have to be a supply sider (though it certainly helps) to see that in terms of the national economy, Social Security is dead weight—its pay-as-you-go structure transforms potentially useful investment capital into brain-dead transfer payments. Any surpluses go to "risk-free" (i.e. least productive) investments in non-marketable government bonds. The difference in growth potential between the two—between private investment

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and public financing—is what ultimately won the Cold War.

On the other hand, viewed from the standpoint of individuals—simply as a retirement finance system—Social Security offers laughably low (and declining) rates of return. For younger, better-paid workers, they're actually now negative. The dimmest-witted insurance company has no trouble offering lifetime savings and annuity plans with twice the guaranteed returns. And even those would be lousy investments.

George W. Bush put his toe in the water with a modest proposal that individual taxpayers be allowed to direct just two percent of national payroll into personal accounts. Good for growth, obviously. In addition, Bush's proposal would actually give property rights to Social Security accounts, where there are none now. (Congress is free to change benefit formulas, and often has.)

But the clincher is a potential to change the nation's whole psychology. A reform proposal like Bush's could make membership in the investor class as universal as Social Security numbers. The guy working the towel behind the carwash could use some of his FICA tax money to buy into the same assets as the executive speeding off in the Lexus. Even a modest (in number terms) proposal could kickstart the final chapter in the demise of the nanny state. Move over, LBJ, make room for W, the next, big-hearted Texas visionary.

But that bigger picture isn't coming across as the debate bogs down in mind-numbing details. True, the Bushies have tried to stress wealth-creation and ownership. But that's thin cover in Social Security's political Valley of Death, with its cannonades of scare tactics, paranoid accusations and demagoguery. Indeed, the groups that could benefit most from reform—low-income workers, minorities and women—are being readied for battle, by leaders who never met a market-based idea they didn't hate (except their own fat 401(k)s).

The AFL-CIO is running a website charging that Wall Street would get $240 billion in fees from "privatization" over the next decade. The truth is that Wall Street is near silent on this issue—scared to death, in fact. Part of that is the fear of seeming self-interested. But the real nightmare would be actually having to deliver simple, low-cost investment plans to 140 million people, many of them with poor and with zero financial skills–the opposite of cherry picking among the high-net-worth crowd. There's also the little problem—for the money guys and politicians alike—of newly minted investors clamoring for "refunds" every time the market heads south. Contrary to the left's fantasies, Wall Street is no more interested in this business than the banking industry is in offering low-cost "lifeline" checking to the homeless.

But the fight is worth winning. To do that, reformers need the political equivalent of air power, to crack Social Security's defenses. Conservatives routinely underestimate how deeply emotional—nearly religious—Social Security still is for millions of voters. Hearts-and-minds battles can't be won with pocketbook arguments (though those certainly help). Winning will depend much more on communicating an inspiring vision and seizing the moral high ground than on scoring actuarial debate points about precisely whether the trust funds will or won't go cash-flow negative in 2016.

There are bigger stakes involved here: higher economic growth for the nation as a whole and the prospect of real personal wealth for every American. Anyone opposed to that needs to be painted as what they are: cynical partisans intent on sustaining dependence and poverty in those whose long-term interests they purport to protect. And doing that by denying poor people access to the same capitalist tools they themselves enjoy.

Get out of the policy trenches. Start an air war over Social Security. Take universal wealth-building to the people. Papa Bush had a name for it: "the vision thing." Win that debate, and the wonks can work out the details.

AYN-RANDED

YOU GOT A PROBLEM WITH OBJECTIVISTS?

BY CHRISTOPHER HITCHENS

Capitalists may own the press—but without necessarily getting a good one. At least in fiction and in motion pictures, the businessman is most commonly cast as a villain. In novels such as Sinclair Lewis's *Babbit*, or even Mario Puzo's *The Godfather*, he is represented either as a utilitarian philistine or as an illustration of Balzac's dictum about the relationship between great fortunes and great crimes. In the movies, the instant the camera pans up the towering and glittering skyscraper, you just know that there is a corporate villain lurking on the top floor. This appeal to populism may represent a shrewd investment on the part of the giant corporations who make such films (there are, by definition, more "little guys" in the ticket-lines than there are captains of industry) but it is bruising to the self-esteem of the entrepreneur. Only in the novels of Ayn Rand does one find risk-taking capitalists—John Galt, Howard Roark, Hank Rearden, Dagny Taggart—represented as heroes and champions. And these books, most especially *Atlas Shrugged* and *The Fountainhead*, actually do continue to outsell the competition.

The new economy awaits a novelist who does not cherish the deathful prose of the late Mickey Spillane.

So it's almost surprising that nobody before now has thought of a book about the direct applications of Rand to commerce. The striving Russian immigrant girl (who took her nom de plume from her battered Remington Rand typewriter and is no relation to the corporation of the same name) has been harnessed for this pur-

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