
Life, Liberty, and Retirement Pensions

BY AEON J. SKOBLE

The right to acquire property is a staple of liberal political theory. But why would anyone bother *accumulating* property? If my monthly expenses are a thousand dollars, then what use could I possibly have for any monthly income larger than a thousand dollars? I could plausibly reason that if I work harder today, I might be able to relax tomorrow. This presupposes, of course, that by working, I earn money, so if I earn more than I need today, I will be able to spend it tomorrow even if I am not working. In broad terms, this is what we do when we save for retirement. We take some of our earnings from work and save it for when we are older. Then we can stop working and still have money to live on. If we have a right to earn money at all, then we have a right to save for the future in this manner. In this essay I would like to discuss what that means, and give some reasons why it is true.

In classical-liberal political theory the right to acquire property follows from the fundamental rights to life and liberty. The argument goes something like this: If I own my life and my liberty, then the work I do is mine as well. Thus the fruits of my labor become my property. John Locke, for example, describes the “mixing of one’s labor” with unowned natural resources as the origin of our right to material property. Locke actually uses the word “property” to refer not only to material goods, but to life and liberty. So to say that Locke sees property rights as fundamental is potentially misleading: the rights

to life and liberty, or “self-ownership,” are the conceptual underpinnings of any rights to what we would normally call “property.” Just as self-ownership is a right that exists prior to the establishment of government, so too is the right to enjoy the fruits of our labors. If I have the right to acquire property, then I have the right to save it for a rainy day.

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When the state dictates how I must spend my money, it is a violation of my liberty, for my actions no longer serve my own ends, but are being made to serve the ends of another against my will. Arguably, all taxation is thus a violation of liberty, but we need not settle that question to see that state-run “social security” programs violate our rights to plan for our own retirements. Indeed, under the current system, we aren’t actually *investing* money for our retirement at all—our Social Security taxes pay benefits for

today’s recipients, and theoretically, tomorrow’s workers’ taxes will pay for our benefits. That’s very different from investing, for two important reasons: one, it doesn’t encourage responsible attitudes toward saving for the future, and two, it is far less profitable.

It’s true of course that anyone is free to invest *additional* money in, say, a mutual fund or an IRA, above his government-mandated retirement “contributions.” But with the exception of the more affluent, this is illusory: the average worker cannot readily afford to pay into

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both the government's retirement plan and a private plan. But even the affluent, who can afford this, nevertheless have their rights violated as well. In general, if Smith forces Jones to spend \$100 on something Jones doesn't prefer to spend it on, then Smith has violated Jones's liberty, even if Jones is still free to spend the remainder of his money his own way. Jones has \$100 less to spend on his own retirement fund.

Consider how the statist model of retirement planning operates: you do not choose whether to participate; you have no say in how the money is to be invested; and you cannot withdraw in response to poor performance. The ostensible upside to this is a guaranteed return. You do not have to worry about market crashes and depressions, nor do you have to worry about poor investment strategy. But the flip side of not having to worry about poor strategy is not being able to pursue a highly effective one. Even modestly performing mutual funds yield higher returns than Social Security. And while market crashes are less of a concern, government insolvency is a big concern. To forestall it, you (or your children) will have to pay even more to fund the system, which cuts into how much you (or they) will actually save for the future.

One argument often advanced in favor of a state-run model is that the average working person cannot be counted on to invest wisely. This assumption is as unverifiable as it is paternalistic. (It is also a straw man, as I argued in the July/August 2005 issue of *The Freeman*, since modern-day financial services such as mutual funds, annuities, and IRAs are administered by professionals who *do* know how to invest wisely.) But more important, it's circular: to whatever extent the average Joe doesn't know how to invest prudently, it is because he does not have to. If bicycling were banned, few of us would develop good bicycling skills, and then the government would have a rationale for continuing the ban, namely, that bicycling is too dangerous—since most people don't know how to do it.

Even though it's true that there is some risk involved

in riding a bicycle, people have the right to develop their faculties. They have the right to learn to ride bicycles—for without the right to learn to cycle, they are being denied the right to cycle. Similarly, people have the right to learn prudential savings and investment habits. Why should we value having the liberty to develop our faculties, even if there is some risk involved? That's the essence of personal growth. We take risks and learn new things. Learning to save for a rainy day is a basic skill, a virtue straight out of Aesop. While not everyone can skillfully manage an investment portfolio, everyone can learn the importance of thrift and planning for the future. Those who can (and want to) manage their

investments in a hands-on way ought to be free to do so, and those who cannot (or prefer not to) ought to be free to let financial professionals do it for them, via mutual funds, annuities, IRAs, and the like.

Anytime the government forces you to act in prescribed ways for your own good, it is an insult to your sense of autonomy, even when the government is right. It's true that you ought to buckle your seat belt when driving, but it's still a patronizing insult to be coerced into wearing one. In many cases, of course, the government isn't right—Social Security, for instance. My retirement would come earlier

and be more comfortable if I were entirely responsible for it.

Social Security as Entitlement Program

But it's not just anti-paternalism that we need to invoke, for the current system isn't merely a paternalistic requirement that I save for my retirement. It's an entitlement program in which everyone gets to claim a retirement pension from the state (that is, from working taxpayers), regardless of whether they've been industrious and thrifty. So you are not saving for your retirement at all; you are paying for the retirement of others, and hoping that later on someone else will pay for yours and that someone will manage this system efficiently. (If any private company offered a program like this, it would be

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indicted for operating an illegal pyramid scheme!) Wouldn't it be easier to allow people to save for their own retirements? But let's state the point more plainly: individuals have a right to plan for their own retirement without coercion or interference from the state.

When I claim that individuals have such a right, anyone familiar with the current system might well reply that in fact we do *not* have this right, inasmuch as the system isn't structured that way. The government *does* interfere and use coercion to maintain Social Security. But I am not referring to legal rights—obviously we have just those legal rights that the lawmakers say we have—but to natural, that is, pre-political, rights. Consider the way this is formulated in the Declaration of Independence: we are said to have some rights by nature, for instance the right to live and be free. Then, “to secure these rights,” governments are “instituted.” In other words, the whole point of the government is to protect rights we already have. So it's not the case that we get a right to the fruits of our labors *from* the government, but rather that the government's *function* is to help us secure our right to the fruits of our labor. On that model, then, individuals may very well have rights the government doesn't respect adequately (or at all). If we have a right to the fruits of our labor, then we also have a right to save for our retirement.

Consider the spectrum of possible rationales for the state to usurp this right and their corresponding policies. One: the government thinks we are too stupid to care about planning for our retirement, so they will do it for us. Two: they recognize that we do care, but we don't know enough to be able to save effectively, so they will do it for us. Three: same as two, except that they admit they don't know any better than we do how to save effectively, so they mandate participation in non-state investment programs. Four: same as three, except they don't mandate participation, but then they provide old-age pensions for those who did not participate. Then consider number five: same as four, except without state pensions for those who refused to invest earlier. Clearly either scenario three or four (which in general represent some of the current proposals for reform) would be more consonant with liberty than scenarios one or two (which essentially represent the

status quo), but it is really only five that captures both sides of individual liberty: personal freedom and personal responsibility. To say that we have the right to save for our retirement is not to say that someone else has a duty to provide for our retirement.

Positive and Negative Rights

In general, rights are always correlated with duties, but different conceptions of rights entail correspondingly different sorts of duties. Some theorists characterize rights as being “negative” or “positive,” the difference being that positive rights entail a duty of others to provide that which is being claimed, whereas negative rights entail a duty of others to abstain from interfering with the pursuit of what is being claimed. “Natural,” or pre-political, rights would have to be negative, for if all are moral equals, then no one can have a claim to authority over another without that person's consent.

The right to save for one's future is a negative right: others must refrain from interfering with my accumulating and investing property. Under the current model, we seem to have positive rights to a retirement pension, meaning that someone has a duty to support me in my retirement, even if he does not wish to do so and without regard to whether I've been thrifty. This is simultaneously compounded and obscured by the fact that the current system makes *everyone* the bearer of this duty toward everyone else by taxing all current workers to pay the pensions of current retirees and promising the workers that they will be entitled to a pension later on. But again, besides the interference with natural rights that this entails, it is also inefficient, since we end up with smaller pensions (and a large bureaucracy).

If we are to take seriously the conception of rights spelled out in the Declaration of Independence, we need to assert a right to financial independence—the right to work, the right to exchange our labor for money, and the right to control the fruits of our labor. This necessarily includes the right to plan and save for our own retirement, free from coercion or interference. The best “reform” would be to allow people full rights over their own lives, liberty, and property. As the founders recognized, this is a necessary condition of our having any meaningful right to pursue happiness. 