



Written by [Thomas Sowell](#) on June 21, 2011

Social Security & Medicare: The Missing Money

One of my earliest memories of revulsion against war came from seeing a photograph from the First World War when I was a teenager. It was nothing gory. Just a picture of a military officer, in an impressive uniform, talking to a puzzled and forlorn-looking old peasant woman with a cloth wrapped around her head.

He said simply: "Don't you understand, madam? The village is not there any more."

To many such people of that era, the village was the only world they knew. And to say that it had been destroyed in the carnage of war was to say that there was no way for them to go back home, that their whole world was gone.



Recently that image came back, in a wholly different context, while seeing pictures of American seniors carrying signs that read "Hands off my Social Security" and "Hands off my Medicare."

They want their Social Security and their Medicare to stay the way they are — and their anger is directed against those who want to change the financial arrangements that pay for these benefits.

Their anger should be directed instead against those politicians who were irresponsible enough to set up these costly programs without putting aside enough money to pay for the promises that were made — promises that now cannot be kept, regardless of which political party controls the government.

Someone needs to say to those who want Social Security and Medicare to continue on unchanged: "Don't you understand? The money is not there any more."

Many retired people remember the money that was taken out of their paychecks for years and feel that they are now entitled to receive Social Security benefits as a right. But the way Social Security was set up was so financially shaky that anyone who set up a similar retirement scheme in the private sector could be sent to federal prison for fraud.

But you can't send a whole Congress to prison, however much they may deserve it.

This is not some newly discovered problem. Innumerable economists and others pointed out decades ago that Social Security was unsustainable in the long run, including yours truly on *Meet the Press* in 1981.

But the long run doesn't count for most politicians, since elections are held in the short run. Politicians' election prospects are enhanced, the more goodies they can promise and the less taxes they collect to pay for them.

That is why welfare states in Europe as well as here are facing bitter public protests as the chickens come home to roost.

It has been said innumerable times that nobody already on Social Security will lose their benefits. But it



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needs to be spelled out emphatically, so that political demagogues will not be able to scare retired seniors that they are going to have the rug pulled out from under them.

Retired seniors have the least to fear from a reform of Social Security, since neither political party is about to take away what these retirees already have and are relying on.

Despite irresponsible political ads showing an old lady in a wheel chair being dumped over a cliff, the people who are really in danger of being dumped over a cliff are the younger generation, who are paying into Social Security but are unlikely to get back anything like what they are paying in.

The money that young workers are paying into Social Security today is not being put aside to pay for their retirement. It is being spent today, paying the pensions of the retired generation — and it can't even cover that in the years ahead.

What needs to be done is to allow younger workers a choice of staying out of a system that is simply running out of money. Nor can the system be saved by simply jacking up taxes on "the rich."

Generations of experience have shown that high tax rates that "the rich" can easily avoid — through tax shelters at home or by investing their money abroad — do not bring in as much revenue as lower tax rates that keep the money here and the jobs here.

Since the law does not allow private pension plans to be set up in the financially irresponsible way Social Security is, that is where young people's money should be put, if they ever want to see that money again when they reach retirement age.

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