



Social Security & the “Ponzi Scheme” Sound Bite

Although many act shocked, shocked, as if Rick Perry had said something unthinkable, Governor Perry is not even among the first thousand people to call Social Security a Ponzi scheme. Not only conservatives, but even some liberals, have been calling Social Security a Ponzi scheme for decades.

Moreover, neither the media nor the politicians who are carrying on over the use of the words “Ponzi scheme” show the slightest interest in any hard facts that would tell us whether Social Security is or is not a Ponzi scheme. It is a “gotcha” moment, and that is apparently what some people live for.



What makes this nonsense become fraud is the insinuation that calling Social Security a Ponzi scheme means advocating that people who are depending on Social Security be abandoned and left with nothing to live on in their retirement years. That is the big scare — and the big lie.

People getting Social Security checks are going to keep on getting those checks. Nobody has advocated anything else, or would dare to cut off a financial lifeline for millions of people.

What is at issue is the particular mechanism through which people can be provided for in their retirement years. Some politicians loudly proclaim that they want to “save Social Security.” But programs exist for people — and it is the people who should be saved.

Whether or not the checks that retirees continue to get say “Social Security” is beside the point. The point is that they keep on getting the money they need to live on, whether that money comes from a different institution or from Social Security.

The fundamental problem of Social Security is that the irresponsible way its finances are set up, and the changing demographics of the country, mean that there is simply not going to be enough money in its trust fund to pay today’s young people what they are legally entitled to, when time comes for them to retire.

The money is just not there, some of it having been spent for unrelated purposes. Making up a growing shortfall, as baby boomers stop paying into the system as they retire, and start drawing money out of the system, would mean ever-increasing burdens on the taxpayers that the taxpayers are unlikely to put up with.

Social Security worked fine when the small generation from the 1930s received pensions from the money being paid in by the larger and more prosperous “baby boom” generation that followed. It worked fine when the average life expectancy of the first generation was not long enough for most of them to collect Social Security checks for more than a few years — if at all.

Declining birth rates and greatly increasing life spans have created havoc with Social Security’s finances, which are based on having the first generation’s pensions paid with money collected from the



Written by [Thomas Sowell](#) on September 20, 2011

second generation — and the second generation's pensions paid by the next generation, etc.

Any private financial scheme set up in a similar way would be illegal. That is why Charles Ponzi went to prison.

The politically expedient way of dealing with the situation is to “save Social Security” with short-term fixes that kick the ever-growing shortfall down the road for some later Congress to deal with — or to be overwhelmed by, when voters refuse to pay ruinous tax increases to keep the system going.

Another way to deal with the problem is to give younger workers the option to set up privately owned retirement accounts instead. These accounts would be beyond the reach of politicians, and based on each generation setting aside money for its own retirement. Studies have shown that private accounts would pay retirees far better than Social Security.

Meanwhile, people currently depending on Social Security can continue to get what they were promised, even if that requires taxpayer subsidies for the current generation of retirees — as distinguished from subsidizing unending generations to come.

These are the kinds of options that need serious discussions, instead of “gotcha” sound bites. Sound bites are usually not very sound, and they are an irresponsible way to discuss serious issues.

To find out more about Thomas Sowell and read features by other Creators Syndicate columnists and cartoonists, visit the Creators Syndicate Web page at www.creators.com. Thomas Sowell is a senior fellow at the Hoover Institution, Stanford University, Stanford, CA 94305. His website is www.tsowell.com.

COPYRIGHT 2011 CREATORS.COM



Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.