



Written by [Bob Adelman](#) on November 22, 2013

Implosion of Social Security Disability Ponzi Scheme Accelerates

Fresh data [just released](#) by the trustees of the Social Security Administration show that the number of people receiving benefits from the Disability Insurance Trust Fund has exploded over the last five years, reducing the surplus in that fund from \$216 billion in 2008 to just over \$100 billion in 2013. There were 7.4 million recipients in January 2009, but as of October 2013, there are nearly nine million beneficiaries, not including another two million spouses and children of disabled workers who are also receiving benefits.



Simple math illustrates the inevitable: If those receiving benefits for disability (real or faked) continues to increase, the trust fund will be bankrupt in less than three years. This is small potatoes when compared to the Medicare and Social Security programs, but illustrates the inevitability of the ending of all Ponzi schemes, large or small.

When Senator Tom Coburn (R-Okla.) claimed on October 20 that “We have \$128 trillion worth of unfunded liabilities ... and another \$17 trillion worth of debt,” Glenn Kessler at the *Washington Post* preferred to question the amount rather than the imminent failure of these schemes. He claimed that the real number was perhaps closer to \$43 trillion, using numbers from the Social Security trustee themselves, or suggested that perhaps the real number was \$84 trillion, relying on the National Center for Policy Analysis for that one.

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Kessler finally concluded that, without mentioning the imminent implosion occurring at the Disability Trust Fund, the real number to be concerned about was only \$30 trillion — equal to the entire economic output of the United States for two years. He did, however, manage to say that whatever number is correct, that it didn't really matter anyway:

After all, most of these unfunded liabilities are ... benefits that this generation's children and grandchildren will be receiving, and presumably the generation 100 years from now will be able to figure out the best course for their society in their time.

This is what passes for economic wisdom in the present time: It's a restatement of the hoary quip: “IBD/YBD” - by that time “I'll be dead and you'll be dead.”

Accelerating the implosion of these welfare state programs will be new “enhancements” such as those offered by Massachusetts Senator Elizabeth Warren. [In an interview on MSNBC](#) with Rachel Maddow, she said:

This is no time — this is the last time — to be talking about cutting Social Security. This is the moment when we [should] talk about expanding Social Security...



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I believe fundamentally [that] we are a people who believe that anyone should be able to retire with dignity. And that's what Social Security is about. People who work all their lives and pay into it should have a minimum level that they don't fall beneath. That's good economics...

Economic reality is vastly different, according to economist Daniel Stelter, author of a report by The Boston Consulting Group (BCG) entitled ["Ending the Era of Ponzi Finance."](#) Wrote Stelter:

It may seem harsh or exaggerated to liken the current troubles of the developed economies to a Ponzi scheme. I do so deliberately to emphasize the scope and seriousness of the problem.

Nearly five years after the financial crisis [began], the leaders of the developed world are far too complacent. Politicians and central bankers have continued to "kick the can down the road," pursuing policies designed to postpone the day of reckoning and avoid telling the public the truth: that a sizable part of the debt will not be paid back in an orderly way.

Stelter and his three associate authors spent the rest of the 24-page report outlining the problems of welfare state schemes dating back to Otto von Bismarck in Germany in the 1880s and reminding his readers of the inevitable disasters set in motion by Charles Ponzi and Bernie Madoff.

But it's not too late, said Stelter et al. The measures needed will be harsh and punitive and painful but necessary to keep the present Ponzi schemes of Social Security and Medicare solvent and even successful. They include:

- Reducing the national debt severely and immediately through "some combination of write-offs and restructuring, austerity, higher taxes, and sizable inflation...";
- Shrinking those unfunded liabilities by raising the retirement age for benefits, and reducing those benefits when the citizens get there;
- Increasing the efficiency of government;
- Expanding the labor force to create more taxpayers to help fund the systems: "people will have to work longer," "grow participation by women in the workforce," and "encourage family formation";
- Loosening immigration rules but only if they are "highly selective," attracting only "skilled individuals who will improve the human capital of the country...";
- Investing more money in education;
- Rebuilding public infrastructure;
- Expanding alternative-energy technologies;
- Developing even closer ties between and among global economies and governments; and
- "Remov[ing] hurdles to innovation [with] more active anti-trust policies."

All of which is laughable, according to Gary North, [writing in his *Remnant Review*](#): "I regard this article as the most sophisticated exercise in terminal naiveté that I have ever read ... the article is total poppycock."

The problem with Ponzi schemes isn't economics, but psychology. Once an individual is persuaded that he can successfully flout the laws of economics and then becomes dependent upon his certainty that these laws don't, or won't, apply to him, there is no amount of reasoning or logic that will cause him to pressure his government to end the fraud before it collapses. Said North:



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The essence of the Ponzi scheme is not simply its statistical unsustainability. The essence of the Ponzi scheme is that it is like an addictive drug. Once someone enters into it, he finds it psychologically impossible to face the reality of the unsustainable statistics of the program. He refuses to get out in time. His participation in the scheme fundamentally changes his outlook toward reality. He is no longer capable of being persuaded that he has made a fool of himself...

Once one is covered under these programs, he then claims that because he has paid into Social Security and Medicare for all these years that he has it coming to him. The fact that there is nothing but U.S. Treasury IOUs as assets in each of the trust funds is irrelevant. He says "[We paid our Social Security and Medicare taxes; we earned our benefits.](#)"

The only end to these schemes is the complete destruction of them, either through a precipitous collapse where checks start bouncing or through the "salami slicing" of benefits proposed by Stelter: benefit cuts or higher age restrictions before receiving them.

And who is likely to drive such changes as Stelter demands? Where is the political advantage? Notes North: "Unless there are immediate negative sanctions [that result] from continued participation in the Ponzi scheme, which there never [are] until the end, the Ponzi scheme is going to continue until its statistically inevitable demise...."

The news that the Disability Insurance Trust Fund is running out of money ever faster as individuals not only see it as an "income opportunity" but believe it's necessary to get theirs before it collapses, isn't really news at all. It's just another signal that the end of part of one of the Ponzi schemes foisted upon a tired, discouraged, and suffering populace in the 1930s by a socialist government enamored of such Bismarckian schemes is close at hand.

Photo of Social Security checks: AP Images

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