



Written by [Bob Adelman](#) on January 25, 2016

Social Security Inching Its Way Toward Bankruptcy, Says CBO

[The latest report](#) from the Congressional Budget Office (CBO) on the financial condition of Social Security merely confirms what the Social Security trustees have been saying for years: The welfare-state program that spent nearly a trillion dollars last year isn't sustainable.



In July Treasury Secretary dazzled the press with his waffle: The program is safe and sound, but it faces problems:

[Social Security is] secure today and will remain secure in the years to come [but it] faces challenges that need to be addressed.

It's either secure, or it isn't. Each year since 2010, the program has spent more than it received, and each year that gap has widened. It's either solvent, or it isn't. Insolvency is when a program is unable to pay its bills. Bankruptcy is the formal recognition by a court of that fact.

Last year, according to the CBO, outlays for Social Security in 2015 approached a trillion dollars, accounting for one-quarter of all federal spending. Its payments to its beneficiaries exceeded its income by nine percent. The gap will widen to 30 percent in less than 10 years, and will exceed 40 percent by the year 2040.

That's called unsustainable.

Exhausted, insolvent, bankrupt, unsustainable, take your pick. Senator Orrin Hatch (R-Utah) asked CBO to come up with options and alternatives to stave off the system's pending passing. It came up with 39 options on how to breathe life back into the dying system, ranging from changing who is going to be taxed and by how much, to changing/reducing the benefit formulas, to raising the retirement age, to modifying the COLA (Cost of Living Adjustment) index, to eliminating some benefits for those who don't need them and giving them to others who do.

One option glaringly missing from the CBO's analysis is the one most obvious, and the one most likely to happen: terminating the system altogether and letting people keep the money they have rightfully earned. In 2012, during the Republican Party's presidential debates, a young man asked the moderator to pose this question to the candidates: "If I earn a dollar, how much of it am I entitled to keep?" This stumped every candidate but one. Ron Paul answered: "All of it!"

Some have likened the Social Security program to a Ponzi scheme, but the defenders say no, claiming it's a "pay-as-you-go" scheme that can be visualized as a pipeline, with money from "contributors" coming in from the front end and money to current beneficiaries being paid out the back end.

Others, like Judge Andrew Napolitano, disagree. It's an enforced extraction:

You're sitting at home at night, and there's a knock at the door. You open the door, and a guy with a gun pointed at you says: "Give me your money! I want to give it away to the less fortunate."

You think he's dangerous and crazy, so you call the police. Then you find out that HE IS the police,



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there to collect your taxes!

What causes Social Security and its appendages to be unsustainable is not whether it can pay its bills in a timely fashion. It's the fact that it's built on theft — "see if money is extracted from one who earned it and paid to another who didn't" — that makes it unsustainable. Its life can be extended but, as in all welfare state schemes, it will ultimately fail when it runs out of other people's money.

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.



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