

Worse than a Ponzi scheme

Perry tells it like it is on crisis facing Social Security

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Much consternation has been felt among the nation's intelligentsia over GOP presidential candidate Rick Perry's stubborn insistence that Social Security is a Ponzi scheme.

Well, it's not, argues one observer.

It's worse.

Shikha Dalmia, a senior policy analyst at the Reason Foundation think tank, writes that, for one thing, Congress has been siphoning off much of our Social Security money for decades and using it for day-to-day expenses.

In addition, an ordinary Ponzi scheme – in which someone takes money from investors, only to pay earlier investors to give an appearance of earning returns – is voluntary. Social Security is forced on us.

Third, she writes, most true Ponzi schemes collapse of their own weight when the cash runs dry; with Social Security, they just dig deeper into our pockets – 800 percent more since its start, even after adjusting for inflation, says the Cato Institute's Michael Tanner.

As has been noted here and elsewhere, if Social Security were a private enterprise, members of Congress would be in prison for “borrowing” our retirement nest eggs the way they have.

And if the media and other candidates want to pick a fight with Gov. Perry for calling it a Ponzi scheme, he's in good company: Conservatives and liberals have been doing the same thing for decades. Stanley Kurtz, a senior fellow at the Ethics and Public Policy Center, notes that liberal economist Paul Samuelson called it a Ponzi scheme back in 1967, albeit defending it (his hope being that forever-expanding populations would keep the scheme going, a theory that has been debunked by time and birth rates).

Ultra-liberal commentator Chris Matthews called it a “bad Ponzi scheme” a few years back. There are plenty of others.

The important thing isn't what you call it; it's whether it survives. The consensus among economists, think-tank experts and 20-somethings who work at Dairy Queen is that it won't be around long in its current form without significant changes. A Gallup Poll last year found 60 percent of working-age Americans don't believe Social Security will be there for them; among those aged 18 to 34, the percentage is a stunning 76 percent.

They'll be right unless the system is tweaked: In 1960, there were 16 workers for every retiree; now the ratio is 3 to 1. Soon it will be closer to 2-to-1. People are living longer, while there are fewer workers to support the system.

Perry is right: It's time for politicians to stop mollicoddling us and tell us the truth. Only armed with that will we ever give them the permission to save the system.