

ABOUT US

FREEDOM DAILY

COMMENTARIES

WEB AUDIO/VIDEO

BOOKS & TAPES

FFF EMAIL UPDATE

SPREADING THE WORD

SUBSCRIBE & SUPPORT

CONFERENCE CLASSROOM

SEARCH

BY ISSUE OR
AUTHOR

BY KEYWORD

SEARCH

www fff.org

Hornberger's Blog

XML

[Information about RSS](#)

[Hornberger's Blog Archives](#)

[FFF Email Update — August 31, 2011](#)

REMINDER: The Jacob Hornberger Show every Saturday at 7-8 pm EST. Listen and watch live on the Internet: <http://www.ustream.tv/channel/the-future-of-freedom-foundation>

Wednesday, August 31, 2011

Perry Is Right about Social Security

by Jacob G. Hornberger

Not surprisingly, Governor Rick Perry is catching flack from mainstream statisticians over his calling Social Security “a Ponzi scheme.” For statisticians, Social Security, as the crown jewel of the welfare state, is sacrosanct. Any challenge to the program or even an accurate description of how it works is, well, close to treason. Every red-blooded, patriotic American is expected to hew to the official line: People voluntarily put their money into a federal trust fund and they have a right to get it out upon retirement.

So, for statisticians Perry has committed treason and even heresy by pointing out that Social Security is really nothing more than a Ponzi scheme, the type of scheme that federal officials criminally prosecute people for when they do this sort of thing in the private sector.

What exactly is a Ponzi scheme? How does it work? Who was Charles Ponzi? What ended up happening to him?

The answers to those questions are contained in a great article entitled “[Yes, It Is a Ponzi Scheme](#)” by Michael D. Tanner, senior fellow at the Cato Institute. The article appears on the website of the conservative publication National Review.

Tanner carefully documents the nature of Ponzi's scheme and why he was convicted of fraud and sent to prison.

Ponzi would accept money from investors with the promise of paying high returns on the money. But Ponzi didn't invest the money. Instead, he would use money taken from later investors to pay high returns to early investors. The scheme went on until he was unable to find enough new investors to cover the payments that needed to be made to early investors. At that point, the system collapsed and Ponzi's massive

fraud became apparent.

Social Security is based on the same fraudulent principles as Ponzi's scheme. Money that is taken from later taxpayers is used to pay off early taxpayers. As Tanner points out, over the decades the number of people from whom the money is being taken has sharply decreased compared to the number of people receiving Social Security. Tanner observes that "in 1950, for instance, there were 16 workers supporting every retiree. Today, there are just over three. By around 2030, we will be down to just two."

Tanner relates the fascinating story of Ida Mae Fuller, the first Social Security recipient. She paid \$44 in Social Security taxes and ended up receiving \$20,993 in benefits. How did she do that? In the same way that Ponzi's early investors received their high returns — by being paid money from later taxpayers.

So, Perry is right to describe Social Security as a rotten, fraudulent system. But the obvious question arises: What is Perry's solution? He didn't say, but I think he'll soon realize that he's boxed himself in.

Like any other conservative politician, Perry is not about to call for repealing Social Security. He's too afraid of losing votes to do that. Yet, where does that leave him? It leaves him in the position of continuing to support a system that he himself knows is immoral, rotten, and fraudulent. How can the continued embrace of an immoral, rotten, fraudulent system be reconciled with Perry's deep commitment to moral and religious principles?

Of course, we libertarians don't face that problem. We hold that Social Security should be repealed, immediately and completely. It's a no-good, immoral, rotten, fraudulent system that should never have been enacted. It's based on taking money from people to whom it belongs in order to give the loot to people to whom it does not belong. It's the most anti-family program that's ever been conceived. And as most everyone now knows, it's one of the major causes of the federal government's out-of-control spending, debt, taxation, inflation, and impending bankruptcy.

Thus, there is only one solution to Social Security that is consistent with moral and religious principles. Get rid of it, fully and immediately.

We libertarians also have a firm belief in freedom. We believe that God's gift of free will and the principles of a free society entitle people to reject their parents and others if that's their choice. By the same token, however, we place unwavering faith in ourselves, in the free market, and in other people. We have no doubts that most children honor their mother and father on a purely voluntary basis when the need arises. The same holds true for brothers, sisters, friends, neighbors, and people who believe in helping out people in need with their own money.

That is the distinguishing characteristic between libertarianism and statism. We believe in freedom of choice and voluntary action. Statists believe in force and coercion. There is no better example of this difference than with the Ponzi scheme known as Social Security

Jacob Hornberger is founder and president of the Future of Freedom Foundation.

[Permalink](#)
[Hornberger's Blog Archives](#)

Tuesday, August 30, 2011

Stop Obama from Managing the Economy

by Jacob G. Hornberger

As the presidential campaign season gets into full swing, be prepared to hear the standard arguments as to which candidate and which party is better at managing the economy. The debate surfaces every four years.

Republicans will cry, "President Obama and the Democrats have made a mess of the economy. Elect us because we're able to do a better job at managing the economy."

It was the same thing four years ago, only then it was the Democrats exclaiming, "President Bush and the Republicans have made a mess of the economy. Elect us because we're able to do a better job at managing the economy."

From the standpoint of libertarians, the debate is a silly one. Why? Because neither the president nor the government should be managing the economy. A system in which government officials are managing the economy is inevitably going to be one big messed-up system.

It really goes to show that when it comes to economic principles, there isn't any difference between Republicans and Democrats. They both believe that the president and the federal government should be managing the economy. Their differences arises with respect to which party should be doing the managing and which reform plan is going to be adopted to manage the economy.

Operating within this statist paradigm, Republicans and Democrats are unable to recognize that the nation's economic woes are rooted in the fact that the government is managing the economy. For them, the economic woes are always rooted in the areas of the economy that are still relatively free of government control. That's why they inevitably call for more government intervention to solve the nation's economic woes.

Why does managing the economy cause economic woes? When the president, with the support of his myriad departments and agencies, manages the economy, he is engaging in central planning, the same type of central planning that make big economic messes in socialist countries. As the Nobel Prize winning libertarian economist Friedrich Hayek pointed out, central planning is an inherently defective paradigm because government officials lack the knowledge and ability to plan the