

The Need for Social Security Reform, as Illustrated by Cartoons

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Political cartoons, if [done correctly](#), are remarkably effective tools for teaching about economics and public policy.

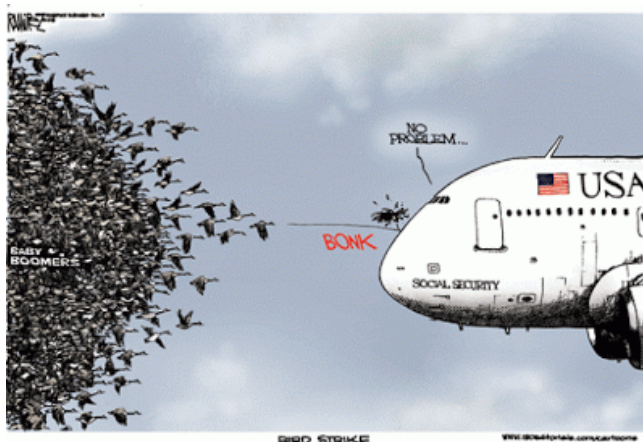
In [this post from last year](#), for instance, I put together some of my favorite examples on topics such as [Keynesian economics](#), [labor supply incentives](#), [minimum wage](#), and [the welfare state](#).

Today, we're going to try something different. Using a series of cartoons, we're going to explain the need for Social Security reform.

First, let's establish that there is a problem. I've shared data on [America's long-run fiscal crisis](#) from international bureaucracies such as the [IMF](#), [BIS](#), and [OECD](#). And I've explained that [demographics are a big part of the problem](#).

Simply stated, tax-and-transfer entitlement programs don't work very well with aging populations.

But that point is made with humor in this Michael Ramirez cartoon.



And as there are more and more old people, that means an ever-growing burden on younger workers.

I've [shared lots of data](#) from the Social Security Administration on the depth of the problem, but this cartoon puts it in stark terms.



Since I'm a baby boomer, I'm not sure I like the implication that we're all spoiled brats.

But the way Social Security is designed, younger workers will face a huge burden as the bills come due in the 2020s and 2030s.

And this Gary Varvel cartoon is a close-up look at one of those younger workers.

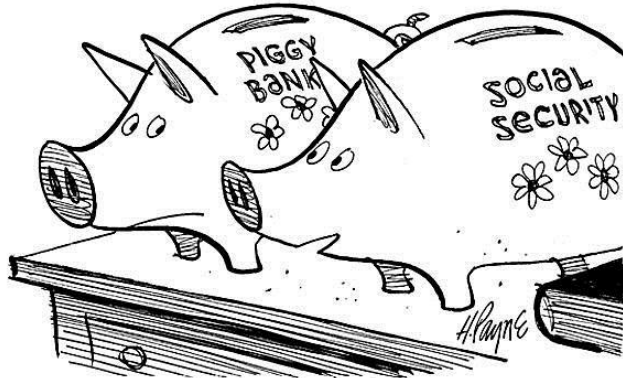


Politicians sometimes try to assure us that the long-run fiscal shortfall isn't a big problem because there is a Social Security Trust Fund.

And they're right.

That's the good news. But the bad news, as [I've previously noted](#), is that the Trust Fund is filled with IOUs.

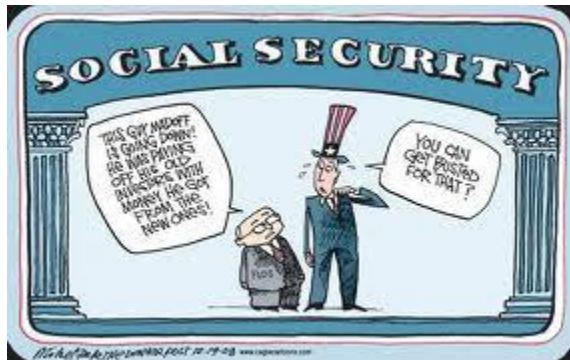
But this Henry Payne cartoon puts it in a more blunt and entertaining fashion.



"OF COURSE I DON'T JINGLE. I'M FULL OF RED INK."

In other words, there are no assets.

To be blunt, Social Security is nothing more than a Ponzi scheme.

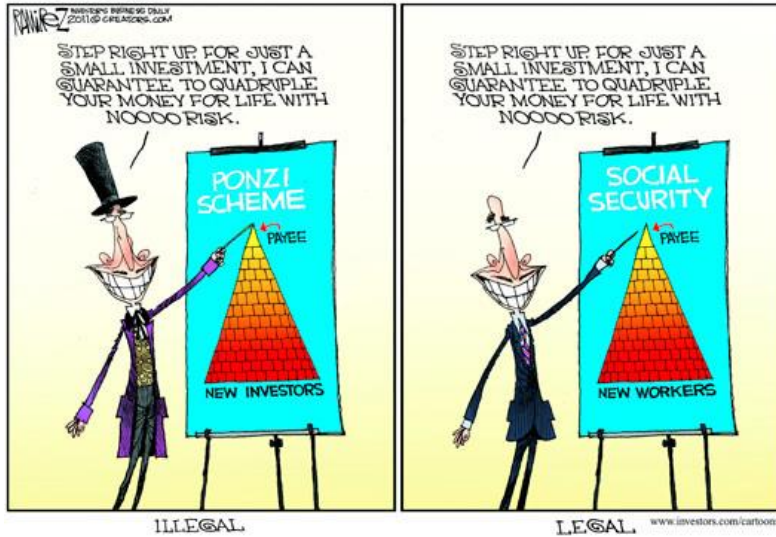


It only works if there are more and more new participants joining the system every single year.

This produces revenue that can be used to pay off the older participants, but also creates pressure to find more new victims in the future.

This type of arrangement is illegal in the private sector. Heck, there are people sitting in jail right now for such scams.

But as Michael Ramirez points out, it's just fine for the government to operate this kind of scheme.



So is there any alternative?

Are we really stuck with an unstable system that will require a never-ending series of tax hikes?

I have no idea if it will ever happen, but there are proposals to shift away from the current tax-and-transfer entitlement regime and into a system of personal retirement accounts.

Such “funded” accounts already exist in nations such as [Australia](#), [Chile](#), and [the Netherlands](#), but some critics say that there’s too much risk in that kind of system.

But as this cartoon shows, it would be just about impossible to design a system riskier than Social Security.



By the way, this list of cartoons is incomplete. It would have been nice to have one showing that Social Security is [an increasingly bad deal for workers](#) since they have to pay more and more over time, yet they are promised rather meager benefits.

It also would have been nice to share a cartoon showing that personal accounts promote national savings, whereas government-run systems lead to debt (check out [these two charts](#) for an example).

To close, here's [my video](#) on the case for personal retirement accounts.

P.S. You can enjoy some previous Social Security cartoons [here](#), [here](#), and [here](#). And we also have a [Social Security joke](#) if you appreciate grim humor.

P.P.S. You probably don't want to know how [Obama would like to "fix" the Social Security shortfall](#).

P.P.P.S. While cartoons can be great teaching tools, parables also make insightful and educational points about economics. And they tend to be very popular. This story on "[the tax system explained in beer](#)" is my second-most-viewed post. And the "[socialism in the classroom](#)" example about the perils of redistribution is my fifth-most-viewed post.

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