



Expert: Perry right about Social Security



Chris Woodward - OneNewsNow - 9/14/2011 4:05:00 AM



Texas Governor and Republican presidential candidate [Rick Perry](#) has been criticized for [calling Social Security a "Ponzi scheme."](#) But one expert on the entitlement program says Perry got this one right.

Just like in a "Ponzi scheme," Michael Tanner of the [Cato Institute](#) says the money a person pays into Social Security is not saved or invested. Rather, it pays the people who paid in earlier through the form of benefits.

"You then have to hope that the next generation of workers comes along behind you and pays the taxes that support your benefits," he explains. "And then, that generation hopes for another generation behind them that will pay taxes to support their benefits, and so on -- just like Mister [Charles] Ponzi's scheme."



In his article for *National Review* titled "[Yes, It Is a Ponzi Scheme](#)," Tanner writes that Ponzi's scheme fell apart when he wound up with fewer people paying in and more people taking out -- something that Tanner points out is already taking place with Social Security.

"In 1950, we had 15 workers paying for every person who was retired. Today, we're down to three," the expert compares. "And by 2025, there will just be two workers who have to pay the taxes to support every retiree."

Tanner acknowledges that Social Security and Ponzi schemes are not perfectly analogous, as he notes that Ponzi had to rely on people to voluntarily invest with him. Also, the swindler was more or less obligated to pay his early investors what he promised. Social Security, on the other hand, is involuntary, and Congress is always able to change or cut those benefits in order to "keep the scheme going."

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