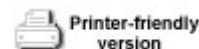


Social Security: Government 'Ponzi' Scheme Turns 75 with \$41 Billion Shortfall

Social Security with its 'trust fund' of IOUs is in serious fiscal trouble, but you wouldn't guess it from the mainstream news media.

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This is a historic year for the largest government program: Social Security, which turns 75 in just a few days. The program is also running a deficit for the first time since 1983, and ahead of estimates.

Initially, Social Security was created to provide supplemental income to elderly and disabled people who could not work, and was signed into law by President Franklin D. Roosevelt Aug. 14, 1935.

Social Security is in the red six years earlier than forecasted, and for the first time since 1983 (the last time the program was "fixed"). Downplaying the significance of the problem, The New York Times reported March 24, that the program is facing a "small" \$29 billion shortfall this year because the high 9.5 percent unemployment rate is cutting into payroll tax collections that fund the program's benefits. Oh, and because there isn't actually a trust fund with all the money previously collected by people paying into the system.

Problems are mounting for the Social Security program which essentially is a government-created "Ponzi scheme." It was a boon for the earliest entrants to the program like Ida May Fuller. She was the recipient of the first monthly retirement check, in 1940, and continued to collect until her death in 1975. Fuller worked only three years under the system: paying in \$24.75 in taxes. By the time of her death she had collected a total of \$22,888.92 according to the Social Security Administration.



In 2010, the public is skeptical that they will get anything back from the system they pay into with each paycheck. A USA Today/Gallup poll found that [three-fourths](#) of people between 18 and 34 years of age don't expect to get a Social Security check.

Yet the news media have opposed much needed reform recently by ignoring or downplaying the problems with Social Security, and during the Bush years by attacking conservative reform proposals. They have allowed liberals to attack conservatives for wanting to make changes to the program, editorialized that Social Security will be just fine and practically ignored the failure of the program's trustees to provide its annual report on time this year.

The three broadcast networks have done little reporting on the postponement – even though the trustees are delaying bad news during an election year. The president's [debt commission](#) is also looking into entitlements like Social Security to come up with policy solutions, but those won't be announced until December – conveniently after the election.

Every year the trustees of Social Security are required to publish their annual analysis by April 1. CATO Institute's Jagadeesh Gokhale and Mark J. Warshawsky pointed this out in Forbes on July 12, 2010. "This year, however, the trustees have postponed its release

indefinitely.”

Why does that matter? Because, according to that article “The program’s financial condition continues to remain hidden from public view.”

The trustees’ report was finally released Aug. 5, but when [The New York Times](#) announced its findings there was no mention that the report was four months late. The Times’ story also hyped the solvency of Medicare (something seriously in question), while admitting that Social Security is in the red. Nor did it point out that the shortfall had grown to a projection of \$41 billion this year, \$12 billion more than the Times had reported in March.

Still, the Times quickly reassured the public it was “not a cause for panic,” according to Social Security commissioner Michael J. Astrue. The Times quoted the report, Social Security trustees, Treasury Secretary Tim Geithner and the co-chair of a liberal coalition, but not a single conservative voice.

A Times editorial predictably spun the report by saying, “[Social Security is holding up even in the face of a weak economy.](#)”

USA Today supplied [its view](#) on Social Security in an editorial Aug. 9. “[H]ere’s something Americans can cross off their be-very-afraid list: whether Social Security will be around so they can worry about all those other threats in relative financial comfort.”

According to the liberal media, the problems facing Social Security are “easily fixable.” USA Today argued that it is only necessary to “economize elsewhere,” but that Washington doesn’t like to do that.

CNN Money’s senior writer Jeanne Sahadi also said that fixing Social Security “should be a snap.”

Sahadi’s solutions were not new: [increase the retirement age, reduce growth in benefit levels and raising the cap on how much of wages is subject to the payroll tax.](#) But she didn’t point out how politically difficult those solutions actually are, or the mainstream media’s past attacks on reform proposals.

When President Bush attempted to tackle [Social Security reform](#), the five major networks (ABC, CBS, NBC, CNN and FOX) aired twice as many left-leaning stories as right-leaning.

Despite the media spin, “urgent reform is necessary” said Nicola Moore of The Heritage Foundation. Moore pointed out that Social Security has a \$7.9 trillion shortfall “[which means the program would require \\$7.9 trillion in cash today! – to afford its promises.](#)”

Kathryn Nix, also of Heritage, wrote in June that “[the early arrival of the need for a Social Security bailout should serve as a severe reminder to the Obama Administration that entitlement reform is needed now.](#)”

MSNBC Host Portrays Conservative Attempt at Reform as Attack on Middle Class

According to at least one leftie pundit on MSNBC, attempts toward reform are actually attacks on the middle class in disguise. That’s what Keith Olbermann said on Aug. 9.

“Republicans are tipping their hand somewhat about where they would get the money to pay for more tax cuts from the rich. Take it from the middle class. And make Americans work longer before they can retire,” Olbermann declared on his program. He cited Republican leader John Boehner’s comments about raising the retirement age to 70.

Boehner has offered that possibility in June as [one solution](#) to make Social Security solvent, *not*, as Olbermann suggested, simply a way to “pay for more tax cuts from the rich.”

Olbermann showed video of NBC's David Gregory trying to force Boehner to say that he “favors” raising the retirement age.

The MSNBC talking head didn't bother to inform his viewers that the government is already paying out more for Social Security than it is taking in and will only get worse without intervention.

The 'Trust Fund' Myth, a 'Ponzi Scheme'

Despite the use of the phrase “trust fund” by politicians and journalists, to describe Social Security, the government has been spending that money and replacing it with Treasury bonds (IOUs) for years.

A Nexis search for Social Security and trust fund found 68 newspaper stories at just four major newspapers in the past year. News articles such as the Aug. 6, USA Today story about Medicare and Social Security mentioned the “trust fund” as if it were a pile of money that “won't run dry” until 2037.

But Los Angeles Times business columnist Michael Hiltzik took it much further than the average news story. Hiltzik attacked those concerned with Social Security's fiscal viability Aug. 8. In a piece entitled, “Myth of Social Security shortfall,” he said that the shortfall would be “covered” by “interest on the Treasury bonds in the Social Security trust fund.”

Hiltzik further defended the notion of those bonds being “real money,” and lashed out at those “trying to bamboozle Americans into thinking Social Security is insolvent.”

But it isn't real “money,” any more than a person swapping debt by paying one credit card with another is paying with money. Unless revenue comes in that can cover the debts, the person is in trouble.

CATO's Michael Cannon criticized the Aug. 9, New York Times editorial on Social Security for claiming the program can still “pay full benefits until 2037” and current attention to the red ink does not “endanger benefits, because any shortfall can be covered by the trust fund.”

Cannon reacted: [“No. It. Can't. Because there are no funds in the Social Security 'trust fund'.”](#) He characterized the entire idea as “an institutionalized, ritualized lie.”. One that news outlets continued to promote.

Back in 2009, [Mark Brandy](#), a professor of economics and adjunct scholar of the Ludwig von Mises Institute, explained how the system works and why it is deteriorating. Social Security is a “pay-as-you-go system,” he said. “[T]he government takes your money and gives it to Social Security recipients. In order to get workers to accept this system, the government promises to take other people's money and give it to you when you retire.”

Essentially, Brandy said it is a huge [Ponzi scheme](#). Surprisingly, CNBC's Jim Cramer who “loves” Social Security, completely agreed with the Ponzi characterization.

In 2008, the ‘Mad Money’ host ranted that the Bernard Madoff \$50 billion scam was not the “largest Ponzi scheme ever,” as some had been calling it.

“We know the truth about Ponzi schemes,” Cramer said. [“We all know the name of the biggest Ponzi scheme in history and it's not even illegal. In fact, it is run by the U.S. government. And the name of it – well they call it Social Security.”](#)

Cramer explained that by its very definition, Social Security was such a scheme: "In a Ponzi scheme, investors get the returns from the money paid in by subsequent investors and eventually the whole thing falls apart. The last people to invest get hosed. In Social Security, a program I love, workers pay for the benefits of current retirees and hope someday future workers will pay for their benefits – it's all a Ponzi scheme."

Yet, even reporters who admit that the "trust fund" is a joke, continue to use the phrase instead of criticizing the politicians who perpetrate the myth that Social Security is solvent.

Brandly also wrote that the system can only remain sound if "a lot of people die before collecting" check, and if there are more people paying in that collecting. But as more people were paying in the Social Security Administration (SSA) ran a "surplus," but as government often does – it borrowed from itself leaving IOUs in the so-called "trust fund."

The program is in trouble for that very reason, and because people are living longer and the baby boomers are about to retire, leaving far fewer younger workers paying into the system.

According to [The CPA Online](#), Social Security paid out only to retiring individuals 65 and older beginning in 1942. Between 1937 and 1942, it paid out in lump sum to individuals retiring. Benefits did not extend to [dependents and survivors](#) until 1939.

In 1935, when the program was created average life expectancy was below 65 years of age: [59.9 for men and 63.9 for women](#). Even by 1942, life expectancy was much lower than today (64.7 for men, 67.9 for women). The projected [life expectancy](#) for 2010 is 75.7 for men and 80.8 for women.

Currently, people can begin collecting [full benefits](#) at age 66, or collect at a permanently lower rate beginning at age 62 or a higher rate if they wait until age 70.

But the mainstream media attitude seems to be – don't worry, it will all work out. Even the USA Today maintained optimism in an editorial that admitted (unlike its earlier news story) the fund is "just IOUs." They still argued that it would be politically impossible to "[renege](#)" on benefits for retiring Americans.

Attacks on Private Accounts

The network news media has historically provided a skewed perspective on Social Security and reform proposals. A [three-part Business & Media Institute Special Report](#) in 2005, when reform was a hot topic, found a left-ward tilt in Social Security stories twice as often as a conservative slant.

That study, [Biased Accounts](#), examined 125 stories on the five major networks and discovered that 44 percent of stories were slanted to the left, compared to 22 percent in the conservative direction. The remaining stories were neutral.

Those findings might have looked drastically different if President Bush had not made a concerted effort stumping for Social Security reform. The president's appearances and statements on the issue accounted for almost one-fourth of the conservative talking points in the study.

One of the most popular talking points about Social Security was the liberal idea that personal accounts lead to "risky" stock investments. The argument that the conservative plan and/or the stock market were "risky" came up 53 times.

Trish Regan even set her Feb. 5, 2005, "CBS Evening News" report against the backdrop of Reno, Nev., a popular gambling destination. Unsurprisingly, local worker Maureen

Fager said about personal accounts, "This is Reno, Nevada. I know a gamble when I see it."

The financial planner they took her to, David Yeske, even claimed that humans aren't cut out to deal with such matters though that is how he makes his living. "The human brain has been wired for social interactions, not analyzing numbers," Yeske said. That same report also misstated the age of retirement for Fager and a 27-year-old worker. It was unclear whether Yeske or the reporter was making the mistake.

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