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[The Money You've Contributed to Social Security Is Real Money No Matter What Fiscal Hawks Claim](#)

By: [ncpsm](#) Wednesday April 28, 2010 1:30 pm

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(Promoted by [jasonrosenbaum](#) - Timely)

No surprise here, but today's Peterson Foundation Fiscal Summit has offered up the full anti-Social Security playbook offered by fiscal hawks who hope to persuade Americans that cutting Social Security is the way to cut deficits.

Of course, central to that "education" (or more appropriately propaganda campaign) is persuading Americans that Social Security is broken and that there is [no trust fund](#) no trust fund or on alternate days that the trust fund is full of [worthless IOU's](#).

Pete Peterson himself tried to make that claim today. This failed pitch has long been the cornerstone of the fiscal hawks' campaign to [erode public support](#) for Social Security. The Cato Institute described their long-term strategy (implemented after the last major Social Security reform in 1983) this way:

“the aim is to weaken political support for the present system when the next financial crisis appears.” Achieving a Leninist Strategy, 1983

So here we are. As promised, the American people have been [bombarded](#) with a steady stream of pronouncements that Social Security is bankrupt, broken, or just too expensive. In truth, what these folks really mean is that they don't Washington to honor its obligations to the Social Security trust fund.

Back in 2005, the [Center for Economic and Policy Research](#) estimated:

“defaulting on the trust fund would transfer more than \$1 trillion from the bottom 95 percent of the income distribution to the richest 5 percent. The richest 1 percent of families would walk away with nearly \$750,000 each.”

According to the [2009 Social Security Trustees](#) report, \$2.6 billion in annual surpluses have been collected since 1983 in anticipation of baby boomers' retirement. Last year alone, workers contributed \$137 billion more to Social Security than was paid out in benefits. That's real money contributed by real workers, no matter how Social Security's foes claim otherwise. The Trust Funds were also credited with \$116 billion in interest from earnings, which represented an effective annual rate of return of 5.1 percent.

The National Committee's policy department describes the [Trust Fund Surplus](#) this way:

Because Social Security takes in more in taxes than it spends in benefits, it has a current surplus of \$2.3 trillion invested in bonds. A bond is like a loan to the federal government that earns interest. While the federal government uses the money loaned by the Social Security Trust Fund to pay for other government spending, just as with other holders of U.S. securities, the government is legally obliged to repay the holder when the bond comes due. There has not been one case of the government failing to pay a bond holder.

But you're thinking, "wait a minute didn't I read Social Security is already broke?"

Economist Henry Aaron explains how [recent media coverage](#) of the recession's impact on Social Security's short-term finances has clearly missed the mark:

Much is being made these days of the projection that benefit payments will exceed earmarked payroll tax revenues. The New York Times treats this development as front-page news. Unfortunately, there is almost no genuine news in this "news." And, the story contains an important factual error. The reporter, Mary Williams Walsh, writes:

"[Social Security's] so-called balance is, in fact, a history of its vast cash flows: the sum of all of its revenue in the past, minus all of its outlays. The balance is currently about \$2.5 trillion because after the early 1980s the program had surplus revenue, year after year. Now that accumulated revenue will slowly start to shrink, as outlays start to exceed revenue [sic]."

Aside from the ungrammatical character of the last part of this quotation, Ms. Walsh got a key fact wrong. What she calls "accumulated revenue," which is usually labeled as "reserves," is going to rise, not fall, this year and next year and for several years to come.

In fact, the Congressional Budget Office anticipates cumulative surpluses of well over \$1 trillion in the next decade. That's money the federal government owes America's retirees – and money this Fiscal Commission should not be allowed to use to balance the books in response to a well-financed [anti-Social Security campaign](#).

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11 Responses to "The Money You've Contributed to Social Security Is Real Money No Matter What Fiscal Hawks Claim"

BigJess April 28th, 2010 at 11:33 am

[1](#)

All true. Good post. This move to gut Social Security is nothing more than a move by the rich to get the government to welch on its loans so that they won't have to pay higher taxes.

 [Reply](#)

ubetchaiam April 28th, 2010 at 1:24 pm

[2](#)

"Whose Tsunami?"

By Barbara Burt

April 28th, 2010

Who stands to benefit if the Peter G. Peterson Foundation, Cato Institute, and other anti-social insurance think tanks continue to control the discussion about Social Security and Medicare? [At a recent conference of the retirement insurance industry](#), all sorts of "concern" was evinced by speakers who could possibly have ulterior motives.

For example, here's [Robert Kerzner, president and CEO of LIMRA, LOMA and LL Global](#) (LL Global is the nonprofit parent company of LIMRA and LOMA, two Conn.-based trade associations consisting of more than 1,200 insurance and financial services companies):

Clearly, the current entitlement programs are unsustainable. Americans are going to have to take more responsibility for their financial security — especially in retirement.

How convenient for Mr. Kerzner and his listeners.

Michael Tanner, senior fellow at the Cato Institute, opened the conference with this message:

The present value of our future obligations is more than \$100 trillion and as the full force of entitlement programs kicks in, it will only get worse," Tanner said to more than 350 retirement professionals. "There is no courage in Washington until someone is willing to stand up and do something.

The real courage in Washington will come from the people who dare to stand up against this onslaught and fight for the social insurance programs that are critical to so many Americans. As in the health care fight as well as the financial regulation fight, the opponents of Social Security and Medicare are extremely well funded and willing to spend huge amounts of money lobbying Congress and shaping public opinion. They are not above using scare tactics and misinformation.

They talk about the "coming entitlement tsunami." We need to talk about the current tsunami of lobbying and

PR dollars that these groups are spending to separate us from the programs we depend upon.”

[From here.](#)

rec'd.

 [Reply](#)

DeadLast April 28th, 2010 at 2:15 pm

[3](#)

What they are really saying is that the private sector can provide this service more efficiently and at a lower cost than the government can. Any effort to dismantle the government effort would surely include a fully-mandated privately administered plan that would not be voluntary (unless you earn over \$250,000/year).

 [Reply](#)

allenwsmithphd April 28th, 2010 at 2:23 pm

[4](#)

The Real Social Security Problem

The most serious problem that Social Security faces is that the government has “embezzled” every dollar of the \$2.5 trillion in surplus Social Security revenue that is supposed to be in the trust fund and spent it.

I have been researching and writing about Social Security for more than a decade, and I have published four books on the subject. The hard fact is that every dime of the \$2.5 trillion in surplus Social Security revenue, generated by the 1983 payroll tax hike, has been spent on wars and other government programs. Every month, for the past 25 years, the total receipts from the payroll tax have been split two ways. First, benefits for current retirees are paid from the Social Security revenue. Then, all remaining Social Security revenue, not needed to pay that month's benefits, are deposited into the general fund and become indistinguishable from other general fund revenue.

Most workers think that at least some of the FICA taxes deducted from their paychecks will be saved and used to pay future Social Security benefits. But it doesn't work that way. Not a single dime of payroll tax revenue has ever been saved and earmarked for the payment of future benefits. To put it bluntly, the government has “borrowed,” “embezzled,” or “stolen” every penny of the \$2.5 trillion of surplus revenue that was supposed to be saved and invested. I consider this to be the greatest fraud ever perpetrated on the American people by their government. I have been trying to expose this awful truth for more than a decade, and some courageous people were trying to expose it even before I stumbled onto the scam in 1999.

On October 13, 1989, Senator Ernest Hollings of South Carolina issued the following warning in a speech on the Senate floor.

“...the most reprehensible fraud in this great jambalaya of frauds is the systematic and total ransacking of the Social Security trust fund ..in the next century...the American people will wake up to the reality that those IOUs in the trust fund vault are a 21st century version of Confederate bank notes.”

On January 21, 2005, David Walker, the Comptroller General of the GAO, tried to make it clear to everyone that the trust fund contained no real assets. He said:

“There are no stocks or bonds or real estate in the trust fund. It has nothing of real value to draw down.”

If anyone has any remaining doubts about whether or not the trust fund contains real assets, those doubts should be removed by the following statement from the 2009 Social Security Trustees Report:

“Neither the redemption of trust fund bonds, nor interest paid on those bonds, provides any new net income to the Treasury, which must finance redemptions and interest payments through some combination of increased taxation, reductions in other government spending, or additional borrowing from the public.”

I urge everyone who cares about the future of Social Security to please visit my website at <http://www.thebiglie.net> to learn more about Social Security and my efforts to expose the scam. Excerpts from my latest book, “THE BIG LIE: How Our Government Hoodwinked the Public, Emptied the S.S. Trust Fund, and caused The Great Economic Collapse,” are posted on the site. Please feel free to download them.

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Phone: 1-800-840-6812

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BearCountry April 28th, 2010 at 2:35 pm

[5](#)

This group of deficit hawks has only the best interests of the average person at heart. They will try to get the coming SS recipients to be forced to put their money into stock market accounts. This will guarantee that the future recipients will have lots of money when they retire. There is a much brighter future by investing privately than in putting the money into boring old US bonds. As we have seen, the market is foolproof.

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onitgoes April 28th, 2010 at 2:37 pm

[6](#)

Great post and good commentary. I keep hearing both what the post says about Soc Sec, and what Prof Smith says. Frankly, it's hard to know who to believe, but I will continue to do my own research.

That said, I have long figured that I might as well not count on getting any Soc Sec when I retire (or, at best, maybe only for a few years). I've planned (to the best of my capabilities, but gad, who knows how it'll work out) to be “on my own” in terms of getting no social sec in retirement.

One way or the other – whether it's already stolen or gone, or it gets stolen in a little while – it's very clear to me that what I set aside is very coveted by the obscenely wealthy, who could give a fig about a peon such as myself. Sucks.

 [Reply](#)

workingclass April 28th, 2010 at 3:30 pm

[7](#)

The people who stole our money are/were all Democrats or Republicans. Please remember that when you donate to or vote for Democrats or Republicans. You might ask yourself, how stupid can I be?

 [Reply](#)

[truthexcavator](#) April 28th, 2010 at 3:57 pm

[8](#)

The crooks are already rubbing their hands, just waiting for the right moment to con the people once again.

Failed Banks May Get Pension-Fund Backing as FDIC Seeks Cash

<http://www.bloomberg.com/apps/news?pid=20601014&sid=aaBSS5oKjb80>

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ubetchaiam April 28th, 2010 at 4:02 pm

[9](#)

In response to [truthexcavator @ 8](#)

Regulators have avoided signing up private-equity firms as rescuers on concern that they might take too much risk.”; they can’t ‘take too much risk’ if the regulators do their jobs.

 [Reply](#)

marinara April 28th, 2010 at 7:12 pm

[10](#)

I really hope everyone on FDL agrees on this one. If we lose SS, what the hell are we here 4?

 [Reply](#)

MarkH April 28th, 2010 at 9:46 pm

[11](#)

What happens if the government ever defaults on the Soc Sec bonds? What would the world think of the government’s intention to repay other Treasury bonds?

Now add on top of that the fact that Republicans have been urging people to believe there’s no reserve there or that the bonds will be defaulted on. What message does that send to the world regarding Treasury bonds?

Just today I heard someone, perhaps Alan Simpson, suggesting we think not only about defaulting on bonds, but just the prospect of the Chinese selling bonds they already hold. What effect would that have on the U.S. and world economy?

Republicans (and I assume their rich backers) want this REAL BAD. And when they get back into power (yes, it will happen some day) we can feel certain they’ll execute their plans. What will it cause? Who will benefit and who will suffer terribly?

What can we do to head that off and make the system impossible to destroy with mere policy of a crazy Republican?


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