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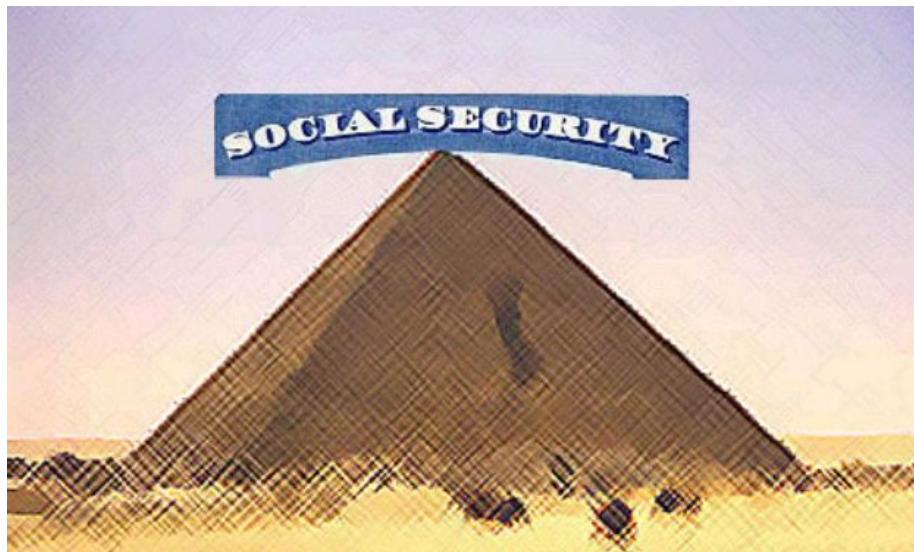
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# Rich: Rick Perry Is Right About Social Security

By Howard Rich • on September 12, 2011

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By **Howard Rich** || Texas Gov. Rick Perry made waves during a recent Republican presidential debate when he referred to Social Security – one of the entitlement programs responsible for our nation’s skyrocketing debt – as a “Ponzi scheme.”

“You cannot keep the status quo in place and call it anything other than a Ponzi scheme,” Perry said. “It is a Ponzi scheme to tell our kids that are 25 or 30 years old today, you’re paying into a program that’s going to be there. Anybody that’s for the status quo with Social Security today is involved with a monstrous lie to our kids, and it’s not right.”

Many in the Republican establishment – including several elected officials responsible for perpetuating this generational fraud – scolded Perry for his remarks. In fact, one former advisor to George W. Bush went so far as to call Perry’s views on the subject “toxic.”

In defending itself against Perry’s criticism, the Social Security Administration (SSA) released a statement acknowledging that the program “is and always has been either a ‘pay-as-you-go’ system or one that was partially advance-funded.”

Translation? New investors are required to pay off older investors – the very definition of a Ponzi scheme, or what the U.S. Securities and Exchange Commission would call “an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors.”

Of course the SSA has a very literal defense against this analogy.

“The American Social Security system has been in continuous successful operation since 1935,” the agency’s release noted. “Charles Ponzi’s scheme lasted barely 200 days.”

Perhaps, but can a system that’s careening toward insolvency really be called “successful?” Also Bernie Madoff’s Ponzi scheme – which defrauded thousands of investors out of billions of dollars – went on for at least two decades before it was finally detected. Most importantly, Charles Ponzi didn’t have politicians and bureaucrats working with him who could compel higher taxes, the printing of new money or the accumulation of trillions of dollars in debt. If he did, his scheme might

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still be fleecing unsuspecting "investors" just like our government is doing.

According to Michael D. Tanner – a senior fellow at the Cato Institute – Social Security taxes have been raised at least 40 times since the program's inception by a total of more than 800 percent (even after adjusting for inflation). Meanwhile, the ongoing decline in Social Security benefits is forcing millions of Americans to work longer than ever before. In fact, a new Ohio State study reveals that reductions in benefits are responsible for anywhere between 25 to 50 percent of the recent spike in delayed retirements.

"Most experts think it is inevitable that there will be further reductions in Social Security benefits to keep the program financially balanced," the study's author concluded. "Those changes may very well lead to even later retirements."

Of course these "changes" will lead to later retirements – which further underscores Perry's point. The only way to "fix" Social Security is to compel additional sacrifices from new workers while simultaneously reducing the benefits they are entitled to receive when they retire. It's exactly what Ponzi and Madoff did – only the victims of this scam have no choice in the matter.

Social Security's unfunded future liability is a scarcely-fathomable \$20 trillion – and growing. Also expanding is the imbalance between those who are forced to pay into the scam and those who are taking money from it. In 1945, there were 42 workers per Social Security recipient. Today, there are only three — and that number is shrinking.





Rick Perry has correctly diagnosed Social Security as a Ponzi scheme. Now the only question is whether our political leaders will finally summon the courage to scrap this scam in favor of private accounts that will truly provide for the long-term welfare of our citizens.

**AUTHOR'S NOTE:** Howard Rich is chairman of **Americans for Limited Government**. He is also a syndicated columnist for **Liberty Features**.

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### COMMENTS



By Steve September 12, 2011 at 11:51 am

Neither man deserves credit for any solution to this problem, and I am underwhelmed by both.

From today's Wall Street Journal, "Review and Outlook" –

Perry, Romney and Social Security  
Neither candidate is helping the cause of reform.

\*\*\*\*\*

We'd give Mr. Romney more credit for his professed political prudence if he were at least proposing some Social Security reforms of his own. But his recent 160-page economic platform avoids anything controversial on the subject. If Mr. Romney rides to the nomination by sounding like President Obama on Social Security, he will make any reform he would eventually

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need to attempt that much harder to accomplish.

The key point is that, unlike a Ponzi scheme, Social Security can be reformed and it will have to be if current workers are to receive any return on their current taxes. Everyone serious knows what the reform options are—from changing the benefits schedule, to “progressive indexing,” to raising the retirement age. We’d prefer private accounts so that young people could build wealth as a property right and not depend on the promises of politicians, while the money would be put to productive economic use in the meantime. Herman Cain mentioned it in last week’s debate. But if that’s too politically adventurous for the two Governors, maybe they can meet somewhere in between their rhetorical positions.

[end]



By Synthetic September 12, 2011 at 12:22 pm

The problem here is that a lot of us (& our employers) have been putting lots of our hard earned dollars into Social Security for a very long time. Based on my annual FICA statement from the SSA (and based on matching funds from my employers) and utilizing an annualized rate of return of 5% since I first started working in 1979 (after college), at age 67, these investment dollars would equate to a portfolio of \$1.2MM dollars – based on a continuing return of 5% per annum, I could legitimately withdraw \$60K annually (or \$5K monthly) and keep this same investment balance. But when I look at my SSA statement, they project paying me only \$2.5K monthly. If these guys were my investment managers, they would have been fired a VERY LONG TIME ago.

So is it a PONZI scheme – the only thing that I know is that these investment managers are a bunch of hacks – until we figure out a way to get around our State legislators and the US Congress to put term limits on the books and limit campaign contributions, we will continue to have the same assholes representing us. These folks (all of them – Repubs and Dems) are all a bunch of politicians and are certainly not STATESMEN.

Anyone that paid attention in Economics (and please note that I have an MBA and I am also an engineer), four principal items makeup the GDP [savings, investments (companies), government spending and consumption (what we buy)]. You cannot whack off a bunch of government spending which will lead to additional job losses, reduced consumption and possibly less investments and savings. Most companies are now international with less restrictive wage and environmental requirements overseas. I am sure we all like clean air and water and who knows where we would be without some of the environmental regs on the books. My vote would only allow companies to sell their products in the USA if their operations throughout the world would come up to par with all regs in the USA (environmental, pay, etc.).

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