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## Social Security's fictions — and reality

Charles Krauthammer / Syndicated columnist

WASHINGTON — 2042. I do not know if the president's Social Security reform will pass, but if it does not, its demise will be traced to that point in the president's State of the Union address when he warned that the system would go bankrupt in 2042. It was a disastrous moment.

First, it is hard to rally people to a crisis that you have located 37 years out. People 45 and older figure they will be dead anyway. And younger people have such a short time horizon that 37 years in the future is utterly meaningless. It does not matter if you have young children. A parent with young children can barely imagine them as teenagers, let alone as pre-menopausal 40-somethings.

Moreover, the new millennium was always a science-fiction idea, and now that we are there, years beginning with a "2" still seem fictional. Even 2011, the first boomer retirement year, has a Stanley Kubrick feel; 2042 lies somewhere in the Matrix.

It gets worse. If 2042 were an actuarially significant date, all of this could be forgiven. The president would simply have to work extra hard on getting us to imagine it. But pointing to a date that will instantly lose 90 percent of the audience is doubly crazy when that date is meaningless. 2042 is the fictional date for the fictional bankruptcy of a fictional trust fund.

Let's start with basics. The Social Security system has no trust fund. No lock box. When you pay your payroll tax every year, the money is not converted into gold bars and shipped to some desert island, ready for retrieval when you turn 65.

The system is pay-as-you-go. The money goes to support that year's Social Security recipients. What's left over is "loaned" to the federal Treasury. And gets entirely spent. It vanishes. In return, a piece of paper gets deposited in a vault in West Virginia saying that the left hand of the government owes money to the right hand of the government.

These pieces of paper might be useful for rolling cigars. They will not fund your retirement. Your Leisure World greens fees will be coming from the payroll taxes of young people during the years you grow old.

*That is why 2042 is a fiction. The really important date is 2018. That is when this pay-as-you-go system starts paying out more (in Social Security benefits) than goes in (in payroll taxes). Right now, workers pay more in than old folks take out.*

But because the population is aging, in 13 years the system begins to go into the red.

To cover retiree benefits, the government will have to exhaust all of its FICA tax revenue and come up with the rest — by borrowing on the world market, raising taxes or cutting other government programs.

We have to reform the system. There is no free lunch. Private accounts are a fine idea for other problems, such as dependency and transferability to heirs. They are irrelevant to the solvency problem. We would have to raise taxes or cut benefits — or borrow, endlessly and ruinously.

The Democrats' plan is to stick their heads in the sand. The problem is that every year

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that we allow to go by means that the reduction in benefits or the increase in taxes will have to be larger. If we had started this in the fat years of the 1990s, we could have done it at reasonably low cost in benefit cuts and/or tax increases. We now have 13 years rather than 20 or so before the system starts bleeding red.

*That is why* the president's 2042 date is so disastrous. It makes it seem like the problem is very far away. True, he mentioned 2018, but bringing up 2042 simply muddies the logic. It reinforces the idea that there really is a trust fund from which we will be drawing to pay the elderly for the quarter-century between the years 2018 and 2042. There is not. It is just paper.

Moreover, 2042 creates the ridiculous distraction of the conflicting Congressional Budget Office estimate that the (fictional) trust fund becomes (fictionally) bankrupt in 2052 — 10 years later and 10 more reasons for Democrats to ignore the whole problem.

To bring the silliness full circle, the president himself has since admitted that there really is no trust fund. But his 2042 date is based on the idea that there is. We will never be able to reform the system if the chief reformer does not clearly articulate what the impending crisis is, when it is coming, and why.

*Charles Krauthammer's column appears Monday on editorial pages of The Times. His e-mail address is [letters@charleskrauthammer.com](mailto:letters@charleskrauthammer.com)*

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