

Ron Paul's

# Texas Straight Talk

[www.house.gov/paul](http://www.house.gov/paul)

A Weekly Column

---

## Social Security: House of Cards

**November 8, 2004**

President Bush should be commended for promising to address the looming Social Security crisis during his second term, a crisis that Congress and successive presidents have ignored for decades. Hopefully Americans will realize that the notion of Social Security as an insurance program is a lie, and that Congress has not put their Social Security contributions into any trust fund.

Most Americans already know that Social Security is in trouble. Demographic shifts and an aging population have undermined the unspoken foundation of the system, which is the practice of taxing younger generations to pay benefits for current retirees. Younger generations, however, simply aren't big enough to pay for the millions of baby boomers who will begin retiring in the next decade. When Social Security began in the 1930s, many Americans never reached age 65. Today, however, millions of retirees live well into their eighties and nineties. These realities mean the current system could collapse in as little as twenty to thirty years.

Seniors hope the system will hold together for the remainder of their lives, while younger working people hope government will somehow fix things before they retire. Not surprisingly, Congress has chosen to ignore the problem until it becomes acute. It's hard to sell voters on austerity today to avoid a relatively distant crisis. Politicians usually operate on the opposite principle, by promising great things now and leaving the bills for others to pay later.

The greatest threat to your Social Security retirement funds is Congress itself. Congress has never required that Social Security tax dollars be kept separate from general revenues. In fact, the Social Security "trust fund" is not a trust fund at all. The dollars taken out of your paycheck are not deposited into an account to be paid to you later. On the contrary, they are spent immediately to pay current benefits, *and to fund completely unrelated federal programs*. Your Social Security administration "account" is nothing more than an IOU, a hopeful promise that enough younger taxpayers will be around to pay your benefits later. Decades of spendthrift congresses have turned the Social Security system into a giant Ponzi scheme, always dependent on new generations. The size and longevity of the Baby Boom generation, however, will finally collapse the house of cards.

We've all heard proposals for "privatizing" the Social Security system. The best private solution, of

course, is simply to allow the American people to keep more of their paychecks and invest for retirement as they see fit. But putting Social Security funds into government-approved investments could have dangerous consequences. Private companies would become a partner of sorts with the government. Individuals still would not truly own their invested Social Security funds. Payroll taxes likely would be raised to cover payments to current beneficiaries, as the President alluded to when warning us that fixing Social Security would be “costly.”

Furthermore, who would decide what stocks, bonds, mutual funds, or other investment vehicles deserve government approval? Which politicians would you trust to build an investment portfolio with billions of your Social Security dollars? The federal government has proven itself incapable of good money management, and permitting politicians and bureaucrats to make investment decisions would result in unscrupulous lobbying for venture capital. Large campaign contributors and private interests of every conceivable type would seek to have their favored investments approved by the government. In a free market, an underperforming or troubled company suffers a decrease in its stock price, forcing it either to improve or lose value. Wary investors hesitate to buy its stock after the price falls. If a company successfully lobbied Congress, however, it would enjoy a large investment of your tax dollars. This investment would cause an artificial increase in its stock price, deceiving private investors and unfairly harming the company's honest competition. Government-managed investment of tax dollars in the private market is a recipe for corruption and fiscal irresponsibility.

The Social Security crisis is a spending crisis. The program could be saved tomorrow if Congress simply would stop spending so much money, apply even 10% of the bloated federal budget to a real trust fund, and begin saving your contributions to earn simple interest. That this simple approach seems impossible speaks volumes about the inability of Congress to cut spending no matter what the circumstances.