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Government's Social Security Mess **by Sheldon Richman**

It's hard to say how the debate over Social Security will turn out. Considering that the system rests on the three-legged stool of the welfare state — coercion, deception, and paternalism — it's hard to see a case for anything but abolition and the individual right to control one's own income. But in thinking about a way out of the mess, it is worth taking time to understand how we got into it.

And it is a mess. Government investment on behalf of future retirees is like the tooth fairy, the Easter Bunny, and Santa Claus. It never existed. As a result, in about a dozen years, when the payroll tax can't cover benefits, the government, to keep its promises, will substantially raise taxes on workers and/or begin borrowing huge amounts of money, consuming capital that would have raised our living standard. The government could reduce other spending, but that will be difficult because all government spending is backed by well-organized interest groups who do not cotton to proposed cuts. However, the political wizards may try to get away with trimming the benefits of future retirees or changing the retirement age. Whatever solution the politicians adopt is bound to harm large groups of people and stunt economic growth.

If we take a step back, we can see that only government could have brought us to this lamentable condition. We have Franklin Roosevelt and his New Deal to thank. It didn't have to be. Indeed, no private organization could have gotten away with it. There's a lesson here that is not being learned: government produces nothing, and so it was a mistake to think it could provide retirement income constructively. It got away with moving money around for several decades, but, like a chain letter, the scheme had to end.

How did it happen? According to economic historian Charlotte Twight, in 1935 Roosevelt exploited the American people's concern about the elderly whose savings had been wiped out in the (government-caused) Great Depression. Americans supported emergency "public assistance," but opposed a permanent government pension plan. It smelled of socialism, and Americans were still too individualistic to be comfortable with Prussian-style "social security." So Roosevelt and his congressional water-carriers hitched Social Security to a "public assistance" bill. Whenever

anyone suggested a separate vote on the two programs, Roosevelt opposed it. When the New Dealers talked publicly about Social Security, they dishonestly portrayed it as an insurance or pension program. It passed and grew over the years, turning most retirees into wards of the state.

Despite the references to insurance and pensions, Social Security has been run like a confidence game. It taxes workers and promises to provide retirement income to them later. Then it hands the money to current retirees as it plans to tax the next working generation to keep the promises it made to the current one. No money is invested, so there is no new production and no true return. In the early 1980s the politicians decided to collect more money than is needed for retirees so the surplus could cover other government spending and make budgets deficits appear smaller than they really were. The Social Security Trust Fund is a lie hiding the fact that the government squanders what people would otherwise have invested for their later years.

All of this has come to a head lately because the big baby-boom generation will soon start retiring, the elderly are living longer, and relatively few workers will be around to support them. To sustain the system, the burden of government will grow.

Hence, the big mess. It takes a government to come up with something so tragically idiotic. The opportunistic politicians who saddled us with it thought that in the long run we'd all be dead. Well, they are. But the long run is now here. And so are we — to suffer the consequences.

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