
The Plot to Kill Social Security

By Editor Test *Wed, Nov 2, 2011*

Is it paranoid to believe that the assault on Social Security is orchestrated? Or is Halloween getting to me?

A Black Swan blizzard befell my town last Saturday. My deck chairs vanished under a foot of heavy snow. When the bombardment ended, our shattered trees looked like the splintered, broken masts of Admiral Nelson's ships after the Battle of Trafalgar.

One of the first headlines I saw when the power returned was at Wonkbook, the *Washington Post* political blog: "Social Security on the chopping block."

The Dark Lords are relentless. They wrecked the economy and decimated the tax base. Now they want austerity... for the poor, the old and the sick. Job One is to disown (i.e., confiscate) the Social Security Trust Fund.

Wonkbook's story was actually just a reference to an earlier story about Social Security that writers at Politico.com filed eight minutes before midnight on Halloween, as if to stress the fear factor.

"In private conversations, and now in public," the Politico story intoned, "the idea of changing the social program as part of a deficit-reduction deal is gaining some traction— a move that has been politically unthinkable for years," it said.

False alarm—maybe. The Politico story specified only that the "Supercommittee"—surely one of the lamest ideas ever—may decide to peg Social Security payouts to the CPI instead of the wage index.

What amazes me is that none of the fixes that reasonable people have proposed for Social Security seem to register on, let alone deter, its opponents. A report from the American Academy of Actuaries this year and one from the Senate Subcommittee on Aging last year described sensible patches for Social Security's problems. But, like B-movie zombies, the enemies of Social Security refuse to die.

The Big Lie is that Social Security, which is money we pay ourselves, threatens America's very survival. Never mind that we spend \$1 billion a week in Afghanistan. Never mind that we spend \$2 trillion a year on imports.

On October 29, the *Washington Post* portrayed the Old Age, Survivors and Disability Insurance program as a vampire: "Social Security is sucking money out of the Treasury," the story said. "...If the payroll tax break is expanded next year ... Social Security will need an extra \$267 billion to pay promised deficits."

Is it paranoid to believe that the assault on Social Security is orchestrated? Two weeks ago, a member of a Society of Actuaries Linked-In discussion group kicked off a debate with the suspiciously disingenuous question: "Is Social Security a Ponzi Scheme?"

I can understand Rick Perry suggesting that. But an *actuary*?

The initiator of the discussion used the word Ponzi in almost every post. He argued the Ponzi position long after many fellow actuaries patiently explained how a fully transparent pay-as-you-go social insurance program isn't the same as an illegal pyramid scheme.

Where does the animosity toward Social Security come from? Does Wall Street believe that Social Security crowds out private investment? On that point, they may not be entirely wrong. But so what?

No private annuity can do what Social Security does—mitigate longevity risk, sequence risk and inflation risk—as efficiently as Social Security does. And no one but the federal government can afford to shoulder so much risk indefinitely. We have Social Security for good reasons.

Do Social Security haters think we would all be better off paying no payroll taxes and investing more in our 401(k) plans? If so, let's have that discussion. Actually, we had that discussion back in 2005, and the vox populi was nearly unanimous: Hands off Social Security.

The attack on Social Security seems at least partly based on a distortion, perhaps willful, of the functions of money. Sometimes money is wealth. But sometimes it is "circulating medium." Like electricity in a machine or blood in the human body, it animates the system.

Taxes, the issuance of Treasury debt and public expenditures like Social Security are media of circulation. If you disrupt the circulation, you starve the extremities. Financial gangrene consumes the limbs of the body politic, and the rest soon follows.

So, please, lighten up on Social Security. Strengthen it, don't kill it.

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