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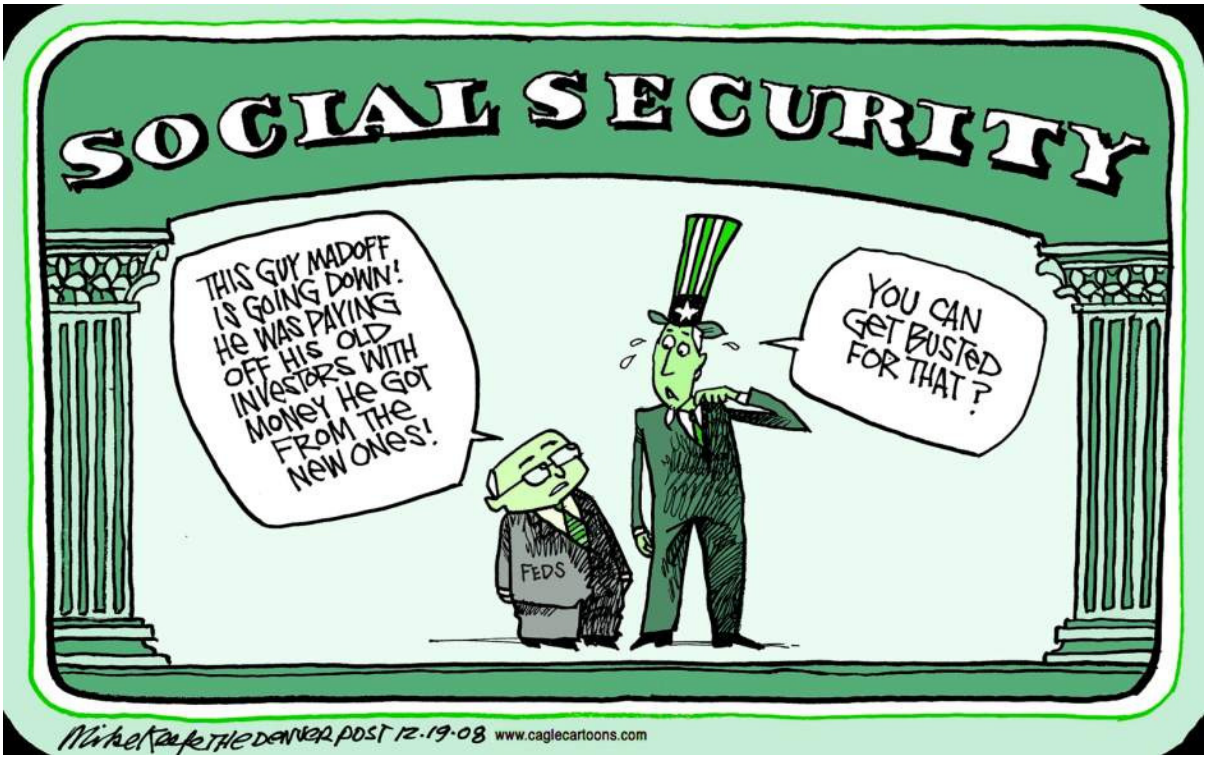
Follow the Social Security money



By Antony Davies & James R. Harrigan

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For the past month, the amount the federal government has borrowed from the Social Security trust fund has hovered just below the $5 trillion mark — a historic record it soon will break. Something else will be broken along the way: the promise of Social Security itself. The Social Security Board of Trustees estimates that the program has just 20 years left before i begins defaulting on promised benefits.

Many politicians don't regard the money Washington has borrowed from the Social Security fund as debt. They say things like, it is “the government borrowing from itself.” Since they don't consider the “borrowed” money to be debt, they claim that the government's debt, at around 77 percent of gross domestic product, is quite manageable. But include what the government has taken from Social Security and its debt is 110 percent of GDP.

If the money in the Social Security trust fund belongs to retirees, and the government is merely holding it in trust, then every dollar the government borrows from Social Security is a dollar borrowed from retirees. That's debt, pure and simple. But if the money in the trust fund belongs to the government, then borrowing from Social Security isn't debt at all — it really is the government borrowing from itself.

Every politician who claims that money borrowed from Social Security isn't really debt necessarily believes that Social Security money doesn't belong to the people who put it there; it belongs to Uncle Sam. That is as morally alarming as it is financially frightening.

According to the Social Security Board of Trustees, the disability insurance portion of Social Security will exhaust its funding in 2016, Medicare will follow in 2024, then the retirement portion of Social Security in 2033. People need to be able to fend for themselves when government safety nets cease functioning. A good first step is to privatize Social Security.

Privatization opponents have long contended that Social Security is better than private retirement accounts because it is safe. But the only thing safe about Social Security is that the trust fund invests the money in Treasurys. The government has no legal obligation to give retirees their money back, and someday soon it won't.

If safety were really the goal, every American could simply open a private retirement account and buy U.S. Treasurys directly. People would have the safety of government bonds but also the legal guarantee of repayment. And people who did this would get a slightly higher rate of return.

Why doesn't the government want its citizens to get a better return with more safety? If people invested privately, the governmer could not spend their money indiscriminately.

If you want to understand what the government is really up to, follow the money.

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