
Yes, Virginia, There Is a Social Security Trust Fund

BY JOHN D. MCGINNIS

My 12-year-old niece, Virginia, wrote me this letter. My reply follows.

Dear Uncle John,

I have a teacher, Mr. Pyrrho, who says there is no trust fund for Social Security. When I asked Mom about this, she said, "Ask your Uncle John. If he agrees then it must be so." Please tell me the truth, Uncle John. Is there a trust fund?

My dear Virginia,

Your teacher is wrong. He is probably affected by the skepticism of a skeptical age. He is one of those who do not believe except in what they see. Sure, there is no such thing as is commonly called a trust fund to make Social Security secure. Your teacher probably has pointed out that a typical trust fund holds stocks and bonds, which secure present ownership of the future cash flows of particular capital assets. Social Security's trust fund seems not to have any capital assets in place at all—the only clue to its existence are the electronic IOUs the Treasury creates when it takes Social Security taxes and spends them on whatever it wants.

But you should know, my dear Virginia, that there are capital assets now in place (and there will be more in the future) from which the Treasury will draw to continue Social Security. In fact, you yourself are one of those capital assets. Let me explain.

When a private organization starts a trust it purchases financial assets (stocks and bonds), which give it ownership of capital assets and the cash flows those assets will generate. We think of business assets such as plant, equipment, patents, and goodwill as capital goods because they generate cash flows over time. Your teacher sees no such assets set aside at present to support Social Security, but there are indeed assets the government owns and has set aside: you, me, and everyone else who tries to earn a living.

You see, Virginia, your government owns as large a portion of you and as much of your future earnings as it wants. Let me illustrate this with my own situation, Virginia. I am 51 years old and have been taxed since I was 16 years old for Social Security. If those taxes had been invested in a diversified portfolio of large-company stocks, I would have nearly half a million dollars today. Even if the money had been invested in low-return Treasury bills, I would have over \$200,000. But what

do I have instead? An order and a promise from the government. The order is that I will have to continue to pay taxes so long as I earn a living. The promise is that if I live to retirement age (and the government will decide what that age is) I can then, and only so long as I stay alive, start to receive some return. There's nothing for me to bequeath.

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I would like to make Uncle Sam an offer, Virginia. He can keep all the money he's taken from me in the past, and I won't ask for anything from him ever—just let me out of Social Security. Do you see the trust fund now, Virginia? Uncle Sam is never going to let us out of this program because we are the capital assets that support it. We, my dear Virginia, are the trust fund, owned and controlled by our government.

Yes, Virginia, there is a trust fund.

It exists as certainly as evil and coercion exist, and you know that they abound and threaten our lives continuously. Alas!

How great it would be if there were no trust fund! It would be as if you were running your own life and were not just a piece of chattel supporting the ten planks of the Communist Manifesto.

Not believe in the trust fund! You might as well not believe that government in America will want more than its current take of 45 percent of our earnings. You


might never get to see or touch the money withheld from every paycheck you earn, Virginia, but what does that prove? It was taken as surely as if it was sitting in

your pocket and an armed robber stuck a gun in your face and made you hand it over.

No trust fund? Then I guess there's no evil and coercion in the world; no masters, no slaves; no I.R.S., no taxpayers. A hundred years from now, Virginia, maybe a thousand years from now, the trust fund will continue to exist. Only then its assets will be your children and their children and so on.

I wish I could agree with your well-meaning teacher, Virginia. But even at your tender age, it's time you became aware that one of the most voracious predators alive already has a hold on you. Cato the Elder once said,

“A king is an animal that lives on human flesh.” So it is with the Social Security trust fund, Virginia.

Love and fondest regards,
Uncle John 

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The Dangers of Compulsory Benevolence

There has never yet come down from any government any substantial improvement in the conditions of the masses of the people, unless it found its initiative in the mind, the heart, and the courage of the people. Take from the people of our country the source of initiative and the opportunity to aspire and to struggle in order that that aspiration may become a reality, and though you couch your action in any sympathetic terms, it will fail of its purpose and be the undoing of the vital forces that go to make up a virile people. Look over all the world where you will, and see those governments where the features of compulsory benevolence have been established, and you will find the initiative taken from the hearts of the people.

—SAMUEL GOMPERS

Founding President, American Federation of Labor
December 5, 1916