

next 30 or 40 years. There just isn't any way to avoid this "group loss" when the costs of administering the program can be met only from the money paid in by the group.

As a contrast, this is not true in the case of retirement income policies sold by private insurance companies. The premiums on real insurance offered by most private companies are keyed to an *expected return from invested funds*. Since these funds can be used for productive purposes, various companies and persons are quite willing to pay for them. Thus, private insurance companies can (and usually do) pay back to everyone more than everyone pays in; the participants as a group can all win.

The Fund a Bookkeeping Entry

When our government officials tell us that our social security funds are (like private insurance premiums) also invested and earn a return of three per cent, you might laugh — or perhaps cry. For the so-called "social security fund" is strictly nominal, since it amounts to less than one per cent of today's accrued liability. Even then, this woefully inadequate fund is "invested" by government in the government's own bonds. The interest that the government "earns" from its investment nec-

essarily comes from you and me in the form of more taxes; there is no other place it can come from. That is why the government's social security scheme was mathematically and necessarily bankrupt from its inception; it was (and is) merely a political mechanism designed for persons who can be lulled into believing that the police power of government is the proper moral and financial base on which to build a sound retirement program.

The harsh reality of our financially and morally unsound social security program must be faced sooner or later; if not by our generation, then by our children and grandchildren. True enough, increases in premiums (up to some unknown point) can probably postpone the eventual collapse and the revolution that may follow it. Increased inflation can also be used by government to prolong the life of that unsound scheme. But our social security program *must* collapse eventually, since it is founded on continuing and automatic losses for the participants as a group.

Check the Mathematics

Finally, have I based my argument on sound mathematical reasoning? Well, I think so, but I must admit that it was once challenged by a professor of econom-

ics. He pointed out that *all* taxpayers are compelled to pay interest on the government's debt, including the interest on those bonds in the social security fund. But not all of the "interest payers" draw social security. Further, some taxpayers pay a greater part of the interest than do other taxpayers. Therefore, the professor deduced, it is theoretically and mathematically possible for the social security fund to pay back to all of the participants more dollars than they pay in. "Now what do you say to that?" he challenged me.

Two things. First, the interest income from those bonds amounts to no more than 4 per cent of total social security benefit payments at present. And this amount will necessarily diminish in significance as the accrued liabilities further mount and the "fund" declines. Let's arbitrarily assume that one-half of that amount (2 per cent of current payments) comes from the taxes of nonparticipants in the social security program, and that the other half is

paid by the participants themselves. Now by the same measurement, what is the total governmental cost for administering both the bond program and the social security program? No one knows, including the administrators. But surely it is at least 10 per cent. And based on the inherent inefficiencies of governmental operations, it could run as high as 25 per cent, if all costs (including alternate opportunity and such) were properly included. That would mean an automatic loss of at least 8 per cent (probably much more) to the social security participants as a group.

Second, let us assume for the moment (incorrectly) that it is theoretically possible to make the social security program work mathematically by seizing income from some persons and giving it to other persons. Only a depraved people could knowingly and willingly endorse such a cynical scheme. And when a nation's people sink to that low moral level, the mathematics of the situation becomes relatively unimportant. ♦

IDEAS ON LIBERTY

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