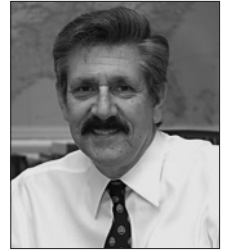


Abolishing Social Security— Through *Real* Privatization!

BY RICHARD M. EBELING



Liberty is inseparable from self-responsibility. A free man looks after himself and the members of his family. He also recognizes a personal and voluntary obligation, as a decent human being, to be willing to assist those who may be deserving of support when they have fallen on “hard times.”

But liberty is inconsistent with any use of the government to obtain supposed “security” for oneself or others through coerced redistribution of income and wealth. The free man considers it immoral to obtain any benefits at the forced expense of others in society. For this reason the existing Social Security system should be abolished, and not be merely tinkered with as the current “reform” plans propose.

For 70 years the United States government has assumed the paternalist role of overseeing and planning our retirement. We Americans have been viewed and treated as irresponsible children who cannot be trusted to plan for our own future. Government has claimed the right to take a portion of our honestly earned incomes supposedly to care for us in our “golden years.”

In addition, the government has deceptively fed us what Plato would have called a “noble lie”: that our money has been put aside and invested for our own retirement, when in fact the money collected during any given year has been spent to cover the Social Security costs for the current retirees. Any “surplus” has been “invested” in U.S. government bonds, with nothing behind them other than the government’s own police power to tax the next working generation to cover any shortfalls in the future.

Now the deception is coming to an end. The demographics of the country are undermining the illusion behind the Social Security shell game. Thirty years ago there were about five workers in the labor force for every retiree who was receiving Social Security payments. That number is rapidly shrinking to a mere two

to three workers per retiree. To make good on the government’s pension promises the working population will have to be taxed a lot more—or benefits will have to be cut back significantly, along with raising the retirement age for Social Security eligibility.

The government’s own projections highlight the trends at work. At the end of 2004, 48 million Americans received Social Security benefits: 33 million retired workers and their dependents; seven million survivors of deceased workers; and eight million disabled workers and their dependents. Total benefits paid in 2004 came to \$493 billion. During 2004 an estimated 157 million working Americans paid into Social Security “trust funds.” The system had tax revenue of \$658 billion, with “assets” of \$1.7 trillion dollars in the form of U. S. Treasury securities.

Because Social Security revenues will continue to exceed annual expenditures on retirees between 2005 and 2014, the total “assets” in the trust fund in the form of Treasury securities are projected to increase to \$3.9 trillion. But with the coming retirement of the Baby

If the revenues from the sales of government lands and the accompanying mineral rights were to come even close to their current estimated market values, their privatization would equal the projected present value of all Society Security obligations over the next 75 years.

Richard Ebeling (rebeling@fee.org) is the president of FEE. He wishes to thank FEE student intern Emily Sickafosse for the detailed data research on Social Security and government land ownership and management.

Boom generation, Social Security expenditures will rapidly rise between 2010 and 2030.

Present government projections anticipate that annual Social Security expenditures will start to exceed Social Security taxes collected in 2017, with the resulting deficit covered by cashing out the Treasury securities. By 2041 all of these “assets” will have been cashed out and used up in payments to retirees. The total unfunded obligations over the next 75 years have been estimated to have a current present value of about \$4 trillion.

Some critics of the current system have proposed a partial “privatization” of the Social Security funds. But these personal retirement accounts are just another version of the same deceptive game. Americans are to be “allowed” to “invest” a small portion of their own money in a group of government-approved mutual funds, with the bulk of their Social Security taxes continuing to go into some “reformed” version of the existing system. The government will decide for you what it considers “safe” investments. Over time the payoffs from these mutual funds and the stock market in general will become, even more than now, politically sensitive issues that will make them targets for increased regulatory manipulation by the “public policy” masters in Washington.

The only answer, therefore, is to abolish Social Security and return responsibility to individual citizens. In other words, what is needed is a full and real privatization of retirement planning by removing it completely from the hands of government.

But how can the Social Security system be abolished when so many people over several generations have had a significant part of their income taxed away? How would those who have paid into the system over many years, especially among the older and retired members of society, have the wherewithal to take responsibility for their own futures?

What I propose for ending Social Security is the privatizing of government-owned and -managed property. The territory of the United States totals about 2.3 trillion acres of land, out of which the U.S. government owns and manages 507 million acres—or slightly more than one-fifth of all the land in the country. Over a reasonably short period, say, five years, a vast majority of

this land could be sold at public auction, with the proceeds being used to pay back what has been taxed from the American citizenry.

The revenues from the sales would be disbursed beginning with the oldest groups until as many Social Security taxpayers as possible had their wealth returned to them. As each group was being paid back, Social Security taxes on workers would be commensurately reduced, leaving them free to plan more of their own retirement. At the end of five years, all Social Security legislation would be repealed.

Expected Land Revenues

Just how much revenue might be available from these land sales? According to a variety of government departments, bureaus, and agencies responsible for control and management of these lands, federal land and the mineral reserves on them have, in 2005, an estimated total value of over \$4.5 trillion.

The following are the estimated market values of just some of the leading mineral reserves on government-owned land: copper, \$1.9 trillion; nickel, \$837 billion; gold, \$531 billion; zinc, \$151 billion; platinum, \$44 billion; lead, \$29 billion; and silver, \$27 billion.

There is, in addition, 250 million acres of timberland and 257 million acres of grazing land under federal control; these are estimated, respectively, to have market values of \$214 billion and \$350 billion, for a total of \$564 billion.

In other words, if the revenues from the sales of government lands and the accompanying mineral rights were to come even close to their current estimated market values, their privatization would equal the projected present value of all unfunded Society Security obligations over the next 75 years.

Of course, if Social Security were in fact abolished over a relatively short period through the type of real privatization plan proposed here, there would be no future governmental pension obligations, and the cost of ending the system would likely be a dollar amount significantly less than presently projected over the remainder of the 21st century.

The great financial albatross of the coming decades would be eliminated, and a crucial aspect of freedom would be restored to the American people. 