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SOCIAL SECURITY DATA CONTRADICT CLAIMS OF “PONZI SCHEME” FRAUD, NEW PAPER FROM LEVY ECONOMICS INSTITUTE SAYS

ANNANDALE-ON-HUDSON, N.Y.—While a number of presidential candidates have claimed that Social Security is a “Ponzi scheme,” a new paper from the Levy Economics Institute of Bard College argues that there is no evidence that the 75-year-old program is a fraudulent moneymaking venture of any kind. In their paper “Social Security Data Belie Loopy Claims of a Fraud,” Levy President Dimitri Papadimitriou and Research Scholar Greg Hannsgen examine the number of new “investors” in Social Security relative to new “recipients” and find a far different story.

“While new workers have been added to the system at an increasing rate since the program’s inception over 75 years ago, few would say that they had been duped in a Ponzi scheme,” write Papadimitriou and Hannsgen, stressing that the benefit, or “dividend,” is promised by law. “In retrospect, one can see that people have received their benefits and eventually left the system at a rate that has not lagged far behind the rate of worker entry.” The authors show that, in all, about 224 million people have been awarded Social Security benefits of some kind. Of these, approximately 158 million have died or lost eligibility, with no sign that their ‘investment’ of payroll deductions has been lost to a scheme of any kind. Almost by definition, a Ponzi scheme would not have such a solid track record in paying out dividends.”

Furthermore, the authors agree with Levy Senior Scholar James K. Galbraith that Congressional Budget Office analyses reporting a specific time when Social Security funding will run out tend to rely on projections of variables that are extremely unpredictable. To conclude, Papadimitriou and Hannsgen argue that Social Security ultimately bases its promises only on the federal government’s overall ability to raise taxes, print money, and create bank reserves to pay its bills. “This source of funding is certainly good enough for Social Security—no less than it is for the government’s other commitments.”

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One-Pager No. 13: Social Security Data Belie Loopy Claims of a Fraud

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit www.levyinstitute.org.

(9.28.11)