# Is the President Lying About Social Security and the Debt Ceiling?

By John C. Goodman
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Apparently he is. And it's not just me saying it. From across the political spectrum, there has been widespread condemnation of the way the White House is using Social Security checks as a weapon in President Obama's budget battles with the congressional Republicans.

"I cannot guarantee that those checks go out on August 3rd if we haven't resolved this issue [increasing the debt ceiling]. Because there may simply not be the money in the coffers to do it," President Obama said in a recent interview with Scott Pelley of CBS News.

"When I heard that, I took him at his word." writes David Henderson at Econlog. "Silly me." The President is "needlessly scaring the program's fifty-five million beneficiaries" proclaims an article in the liberal Huffington Post. He is guilty of "either deliberately lying or being culpably ignorant of the relevant facts," says libertarian blogger David Friedman.

The issue is explained nicely by former Social Security Trustee, Thomas Saving in an editorial in *The Wall Street Journal*. Saving, who is also a colleague of mine at the National Center for Policy Analysis, says Obama's claim that he could not guarantee that Social Security would be able to send out $20 billion in benefit checks if Congress did not raise the debt limit is completely baseless.

The reason: the way federal government accounting works, the debt ceiling includes not only debt in the hands of the public, but also "bonds" held by such trust funds as Social Security and Medicare. Of course, the bonds in the Social Security trust fund are not real. They were not purchased with money in the marketplace. They are created on a typewriter and kept in a filing cabinet in Parkersburg, West Virginia. Essentially, they are nothing more than IOUs that the government writes to itself. Even so, they count toward the debt ceiling just as much as US bonds held by private investors or the government of China.

When the government pays a dollar of Social Security benefits, it retires a dollar's worth of (IOU) bonds in the trust fund. To finance the benefit, it issues a real bond and sells it to investors

in the credit market. But since the IOU the government wrote to itself counts just as much as the real bond sold to investors, as far as the debt ceiling is concerned, total government debt is unchanged according to the accountants.

Bottom line: the Social Security checks the president threatened to not send to America's seniors will not push spending closer to the debt limit. "Instead," says Saving, "by redeeming bonds in the Social Security Trust Fund, the federal government can borrow an equal amount in the credit market and pay benefits without any affect at all on the debt ceiling."

*John C. Goodman is president and founder of the National Center for Policy Analysis, a free-market think tank established in 1983. Goodman's ideas on health policy can also be found at his own blog, where he provides daily analysis and lively discussion on a wide range of health care topics.*