

NPR is wrong. Social Security has never added a penny to the national debt.

Mike Brennan, [Does It Hurt To Think?: June 2023](#)

Social Security has never added a penny to the national debt. Never has. That may surprise you, considering all the swirling misinformation, including, alas, from prominent media sources.

But it's true. We don't borrow money to finance Social Security. We pay for it with tax receipts.

The first thing to understand is that Social Security has *its own dedicated revenue stream*, and always has. It's the payroll tax. That dedicated revenue stream has always been used, both directly and indirectly, to pay Social Security benefits. Directly, in the sense that current revenue is applied to current benefit payments, and indirectly, in the sense that when current revenue is not entirely sufficient, the Social Security Trust Fund—itsself funded by the payroll tax—makes up the difference. No regular government spending, deficit or otherwise, is involved.

The Trust Fund itself contains the long term surplus of payroll tax receipts, accumulated over several decades when payroll tax revenue consistently exceeded, by design, Social Security benefit payments. This deliberate accumulation of excess revenue in the Trust Fund was intended to provide a backstop against the retirement of the baby boomers, anticipating far in advance a time when *current* payroll tax revenue would no longer be sufficient by itself to pay benefits. That the Trust Fund currently holds a positive balance is itself evidence that Social Security has been in long term surplus.

Social Security benefits, then, have *always* been paid by the payroll tax, and as long as the Trust Fund carries a positive balance, always will be. The government has never borrowed money to pay Social Security benefits. It's now projected that, absent additional measures to fortify it (such as increasing the payroll tax or raising the level of income that it applies to), the Trust Fund will be depleted in about 10 years. That's ten years *in the future*. Social Security does not now, nor ever has, added to the debt.

I broach this subject now, [yet again](#), in exasperation over [a recent NPR story](#) in which reporter Deirdre Walsh said the recent debt ceiling agreement "does not touch the biggest drivers of the debt, Medicare and Social Security." In truth and in fact, Social Security is *not* one of the "biggest drivers of the debt." Quite emphatically, it is not a driver of the debt *at all*.

Perhaps Deirdre Walsh, who is a mere "congressional correspondent," and not a financial reporter, doesn't understand this. But *she said it* on NPR's air. And NPR, which normally has

very high standards of correctness, should definitely understand it. Unfortunately, NPR is far from the only major media outlet to botch this basic fact with breezy, ignorant assertions, mindlessly repeated.

Not only has the federal government never borrowed (except as part of a particular debt-neutral rollover maneuver, explained shortly) to pay Social Security benefits, but, remarkably, Social Security itself has loaned a large amount of money to the government, which completely turns the narrative on its head. Far from being a recipient of government deficit spending, Social Security is actually one of the government's major creditors!

You can see this explicitly in the official statement of the national debt, where the Social Security Trust Fund is listed as one of the government's fiscal obligations. (For example, see [this](#). Click on "Published Reports". Search for "Federal Old-Age And Survivors Insurance Trust Fund" in the pdf document. Total value as of April 2023: \$2.7 trillion.)

The reason for this situation is easy enough to understand. Over the decades, when the Trust Fund was accumulating its surplus, the Fund needed a way to invest all those excess payroll tax receipts. The solution was to have the Fund purchase special issue government bonds—in effect loaning its money to the government, and creating a situation whereby the government would have to eventually pay the Trust Fund back. This is no different than you or your investment portfolio loaning the government money through your purchase of Treasury bonds, except that unlike your bonds, the special issue bonds held by the Trust Fund aren't traded on the financial markets. They do pay a competitive interest rate, though.

How the Trust Fund redeems those bonds in order to pay benefits is sure to create confusion and suspicion, even though it's easy enough to understand if you turn on your thinking brain. Obviously, special issue government bonds can't be directly used to cut benefit checks; they have to be converted to dollars. The usual way to convert a bond to dollars is to *sell it*, but as we've seen, the Trust Fund's bonds aren't traded in the financial markets.

So the Trust Fund's bonds are instead sold *back to the government*, from which they were purchased in the first place. Here's how it works. The Treasury Department issues (sells) *new* bonds to the financial markets in the amount of the desired Trust Fund withdrawal, which generates the dollars needed to pay the Trust Fund for some of *its* bonds. This, in effect, retires those bonds: once redeemed they are no longer obligations of the federal government to the Trust Fund, and no longer part of the federal debt. Obligations to the Trust Fund *in the official debt are reduced accordingly*. The dollars used to buy back the bonds are then used to pay Social Security benefits.

Thus Treasury has "paid off" that part of the national debt represented by the redeemed Trust Fund bonds by creating *new* debt issued to the financial markets, as regular Treasury bonds, in the same amount. Ignorant critics might cry foul, insisting that the new bonds issued to the markets are evidence that the government has to borrow to fund Social Security, and that the new borrowing is proof that Social Security is increasing the debt. It isn't. The two transactions—the redemption of Trust Fund bonds, and the issuance of new Treasury bonds—cancel exactly, and the national debt remains entirely unchanged. All that's happened here is that Treasury has rolled over some of its obligations—something that happens *all the time* whenever bonds come due in both public and private finance—and in the process has converted Trust Fund bonds into dollars used to pay benefits. This is precisely how the system was designed to work.

Meanwhile, the Trust Fund loaned its surplus money to the government while it wasn't needed; the government paid interest on the loan; and the government returned the money to the Trust Fund when it was needed to pay benefits.

Notice how this financial maneuver can cause Social Security to become an innocent victim of the debt ceiling crisis. As the debt ceiling is approached, Treasury is prohibited from issuing new bonds, and thus can't complete the maneuver by which Trust Fund bonds are redeemed. That is so even though the maneuver in question does not actually increase the debt.

More directly, even though Social Security has its own dedicated revenue stream, all government payments, including Social Security benefit payments, are funneled through the "general account," which can be viewed as the government's all-purpose check book. Payments of all sorts from the general account tend to get mired in debt ceiling standoffs, whether those payments have anything to do with the debt or not. Thus references to Social Security get bandied about during these crises, as if Social Security itself is somehow complicit in what's going on. It isn't.

All this can create the false impression in the public mind that Social Security is part of the government's *debt* "problem," even though it absolutely is not, and never has been. Media outlets that perpetuate this misconception, and that don't clarify it, are doing the public an immense disservice.

Social Security certainly presents some long term fiscal challenges, as the 10-year window for Trust Fund solvency illustrates. But Social Security has *never* been funded by deficit spending. It has always paid for benefits from revenue intended specifically for that purpose. So far there's always been enough money to make those payments, and will be for some time into the future.