



Newswise

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WILL CHINA SEND YOU YOUR SOCIAL SECURITY CHECKS?



Mary Pickett believes that her Social Security is very safe.

"The Social Security trust fund has lots of money, enough to last until 2027," Mary enthuses. "I read it in the paper. Besides, I'm 85 and will probably be dead before then," she laughs.

To Mary, the Social Security fund is like a huge treasure chest, full of money. But if Mary could look into that chest, she would find no money. Instead, it is stuffed full of government IOUs – which are called "special bonds."

In a spirit of incredible bi-partisanship, the federal government has "borrowed" all \$2.6 billion from the fund. Mary's treasure chest is empty. The Trust Fund has been looted. So much for the "Trust" part of the name.

The Social Security crisis is *now* – not sometime in the future.

This year the Social Security system will pay out more money than it takes in – about \$45 billion worth. Because there is no money to cover the \$45 billion, the government is going to have to borrow on the world markets by issuing Treasury bonds.

This is where China comes into your Social Security picture. It will probably be up to China to

buy the bonds to cover the shortfall.

But what if China says, "No thanks"? What then?

Over three million retirees won't get anything. Or everybody will take a big benefits cut.

But what happens next year when the shortfall expands? Because Federal Reserve Chairman Ben Bernanke is throwing money around like a drunken sailor and because he is keeping interest rates near zero, the dollar is falling like a lead sinker.

Under these conditions, why would China or anyone else want to buy U.S. Treasuries?

China is already expressing its displeasure with U.S. policy by lightening up on their buying of Treasuries. The Middle Kingdom is actively expanding its currency into Hong Kong and Singapore while advocating for a "basket of currencies" to replace the dollar's world domination.

So the question remains:

Who is going to underwrite Mary Pickett's Social Security check?



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