

Re: Soc Sec: How do private investment accounts solve the problem?

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From: sinister (*sinister_at_nospam.invalid*)

Date: 02/11/05

Date: Fri, 11 Feb 2005 15:55:53 GMT

<ta6bx@yahoo.com> wrote in message
news:420c954f.961665@News.individual.de...

> On 10 Feb 2005 23:10:37 -0800, "Zerge" <zerge@hotmail.com> wrote:

>

>>

>>>ta6bx@yahoo.com wrote:

>>> Supposedly when SS was started there were many people working and few

>>> people collecting, say 15 working to 1 collecting. (Don't know the

>>> actuall numbers).

>>>

>>> Now there are maybe 3.5 working to 1 collecting and in the future

>>> there will be 2 working to 1 collecting.

>>>

>>> Obviously this is a problem for SS. But, how do private investment

>>> accounts solve the problem? If there are 2 people working for each

>>> retired person, these 2 have to produce enough goods and services for

>>> 3. It doen's matter how the retired (unproductive) person gets money

>>> to purchase their share of the national product. If the retired one

>>> taxes the productive two, those two have less to spend on goods and

>>> services and the retired one gets to spend what has been taxed.

>>>

>>> Now, If instead of taxing, the retired person has a big investment

>>> account you have three people spending money to aquire the product

>>> produced by two. The working two still get "taxed" in a way because

>>> they cannot purchase all of their product.

>>>

>>> In the extreme say every one was 25 years old and every one saved.

>>> When they all retired on the same day, they would have enormous

>>> accounts. They would also all starve as no one was producing any

>>>food

>>> .

>>> It seems that the actual problem is the ratio of non-productive to

>>> productive, not how the non-productive finance their

>>> non-productiveness.

>>

sci.econ: Re: Soc Sec: How do private investment accounts solve the problem?

>> *You have a very sketchy understanding of economy, I'm sorry to say.*
>> *The "retired one" does not "tax the productive two". The retired one*
>> *saved a % of his/her earnings and invested it in stocks and bonds. This*
>> *investment grew. Now he/she has a good amount of money to keep spending*
>> *without having to work. That amount of money will demand goods and*
>> *services from the economy. Entrepreneurs will build new companies to*
>> *serve that demand. The GDP of a country is not a limited asset to be*
>> *"taxed", as you suggest.*
>>
> *Who produces the GDP of the country if most of that country is*
> *retired. People do not eat stocks and bonds. Someone has to produce*
> *food.*

Exactly. Stocks and bonds are just claims on future production, no different in that sense from Social Security, back by future claims on production in the form of the sovereign power to tax.

The more nuanced claim is that moving to private accounts will boost investment, leading to higher growth, leading to more future production. That's an empirical issue, and I'm skeptical.