

# **Social Security Stock Market**

The Social Security Trust Fund is shrinking. Also the number of young workers paying taxes is shrinking, because of falling birthrates. But as of today, we still have over \$2 trillion in the Social Security Trust Fund. Some people suggest we should invest that money in the Stock Market, to get a higher return than what we are getting today from Treasury Bonds.

The same idea came up in the late 1970's, when the Trust Fund was shrinking. However, I didn't hear much about it after the Black Monday stock market crash of 1987. That's when the Dow Jones Industrial Average fell by 23% in one day, representing a loss of \$1.7 trillion.

That brings up the first problem with investing in the stock market: prices are volatile. Social Security checks go out every week. We need stability in the Trust Fund.

Second, we have basic supply and demand theory. If we sold \$2 trillion worth of Treasury bonds and bought \$2 trillion worth of stocks all at once, we would severely distort the markets.

We could gradually invest new Social Security money in the stock market, but there are still concerns whether the government should distort the market at all. Who would pick which stocks get Social Security funds?

We do have to make some changes to keep Social Security safe for the future. But I don't think the stock market is going to help us.