

The failure to get the maximum earnings taxable and creditable up more rapidly was, of course, costly to the insurance program in the sense that less was collected and, therefore, benefits tended to be kept low. By 1950 covered wages had increased by only 20 percent, whereas the price level had risen by 75 percent and weekly manufacturing wages by 195 percent. Even after the amendments of 1954 and 1958 the rise in maximum earnings taxable was only 60 percent as against an increase in prices of 110 percent, and in weekly manufacturing wages of 315 percent.²⁷

The failure to get the maximum earnings taxable up more rapidly resulted in a failure to introduce an element of progressivity into the program. Under the legislation those with relatively low wages get larger benefits in relation to their contribution than those with high wages. Larger coverage would have had the effect of favoring further the transfer of benefits on behalf of the relatively low wage groups.

A \$4,800 maximum now means that roughly about 56 percent of the workers' total earnings that are covered now are subject to tax. Of course, when the maximum was \$3,000 in the 1930's, this meant virtually complete coverage of all wages of those subject to tax. Thus in 1938 the maximum earnings base was \$3,000 and only 6 percent of the covered workers earned in excess of \$3,000. In the 1950's 61 percent of the covered workers had wages in excess of \$3,600 and under the 1954 amendments which raised the wage base to \$4,200, 43 percent had wages in excess of \$4,200.²⁸

MINIMUM AND MAXIMUM BENEFITS AND PRICES

In a table below, I indicate the trends in wages as well as various aspects of benefits under the old age, survivors and disability insurance legislation. This table shows quite clearly the failure of minimum family benefits to rise as much as prices up until 1952 and the failure of the minimum family benefit to rise as much as the increase of wages. For example, by 1950, prices had risen by 72 percent above 1939 and yet the minimum family benefit had risen only by 50 percent in this same period. The average full-time wages of all employees had risen by 150 percent. By 1952, however, the minimum family benefit had risen about as much as prices, and by 1954 substantially more. But even by 1958 the average full-time wages per year had risen substantially more than the percentage rise in minimum family benefit.

For the maximum family benefit it will be noted that one limit is 80 percent of average wage. It follows, therefore, that if the average wage is, say, \$160 a month, then the benefit cannot be more than four-fifths of \$160, or \$128 a month. The result of this particular provision on the whole is that the maximum benefit expressed in dollars, say, \$85 under the 1939 act and \$254 under the 1958 act, is likely to be more restrictive for high than for low incomes. Moreover, this restriction plays a larger part currently than it did many years ago. For ex-

²⁷ Social Security Bulletin, January 1959, pp. 18-19 and the "Economic Report of the President," January 1959, my calculations.

²⁸ Social Security Amendments, Social Security Bulletin, September 1954, and House Ways and Means hearings, "Social Security Amendments, 1954," p. 60.