

The costs are primarily those that go to the insured, for (old age) primary benefits accounts for 5.92 of the 8.40 percent of payrolls of total benefits, 0.57 are for wives' benefits, 1.23 for widow's benefits, and the only other major item is child's benefits, 0.43, and disability insurance, 0.49. These are all estimated level premium costs for benefit payments. (The level premium cost is the average long-range cost based on discounting at interest in relation to payroll.)

One of the most difficult problems in projecting the financing of the old-age and survivors insurance arises from the difficulties of estimating what wages will be in the future. Of course, the further ahead we go the more difficult it is also to estimate the number of workers that will be involved because many of them are not as yet born. Here, for example, is an actuarial estimate of the progress of old-age and survivors insurance trust fund under the 1958 act on high employment assumptions based on intermediate cost estimates at 3 percent interest.

[In millions of dollars]

	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund
1951.....	3,367	1,885	81	417	15,540
1957.....	6,826	7,347	162	557	22,393
1960 (estimated).....	10,621	10,027	590	-----	21,794
1975 (estimated).....	20,890	17,766	222	2,185	76,432
2020 (estimated).....	36,124	40,716	426	8,379	285,282

Source: Myers, R. J., "Old Age, Survivors, and Disability Insurance Financing Basis and Policy Under the 1958 Amendments," Social Security Bulletin, October 1958, p. 17.

It will be noted that as against benefit payments of about \$10 billion today, the total would rise to about \$41 billion in the year 2020, and the balance in the fund would rise from around \$20 billion to \$285 billion. But even these estimates are of the roughest kind; first, because they assume the rate of interest at 3 percent and it is not easy to estimate what the rate of interest will be in the future; second, because no allowance is made for the rise of prices and income. Wages, for example, in 1975 are estimated as they are in 1958. By that I mean the average wage. A more likely estimate would be that wages would be about double even in the absence of all-out war by 1975. Then if benefits lag behind, either the reserve fund would be much larger than is estimated or else contributions would be reduced or benefits increased greatly.

Obviously, the instability in the value of the dollar as well as the rising productivity of the economy makes it much more difficult to estimate what the net actuarial result will be. For this reason it becomes very important to revise the act every few years, or possibly even every year. Another interesting aspect of this problem is that as the value of the fund rises and prices and income also increase, the value of the fund in relation to the size of the economy tends to be reduced. In other words, \$285 billion at prices and incomes of 1958 is one thing, but \$285 billion at the prices and average income levels of the year 2020 is an entirely different matter. There would be a considerable erosion of the value of these accumulations if prices and incomes continue to rise as they have in the past. Even if we assume a doubling of the average wage every 20 years, which is not