a reckless assumption, the increase in the average wage by 2020 would be about eight times. We would be most conservative if we assumed that included in this rise of eight times was a rise of prices of only 1 percent per year. Hence the $285 billion relative to 1958 wage levels may be assumed to be only worth about $35 billion in terms of price and income levels of the year 2020. Hence it may be assumed that the contribution of the reserve funds to the financing of the program would be considerably reduced as compared to the estimates made in the actuarial statements. Of course, this may be offset by larger rises in contributions than now contemplated. At any rate, it is clear that the inflationary process is one argument against reserve financing.

OLD-AGE ASSISTANCE AND OTHER ASSISTANCE PROGRAMS

Strangely enough, the response of old-age assistance and other assistance benefits to the price and income level since 1935 has been much greater than under old-age and survivors insurance. Since insurance is a contributory program and the relief is a donated program, this is rather unexpected. One explanation of this fact is that the payments under the old-age insurance program since 1939—and the earlier the years, the more this is true—are very large compared to the earnings to any individual's account. In other words, and particularly since 1939, the Government has tended to subsidize the relatively old who receive benefits after payments for relatively brief periods. Hence there are large gifts, so to speak, in the payments for insurance for the current old who then qualify with relatively small payments of their own or of their employers.

Another reason for the relatively large increase in benefits under old-age assistance as well as under assistance to dependent children is the fact that the Federal Government contributes a substantial part and an increasing part of the total payments. This is an incentive for State and local governments to increase their contributions since the Federal Government pays a substantial part. The trends are given in table 5–5. It will be noted, for example, that from 1940 to 1948 the real benefits, that is in 1958 dollars, rose in excess of 20 percent for old-age assistance and for dependent children per family. In fact, per family, the real rise for dependent children was of the order of 30 percent. In this same period, it will be recalled, old-age and survivors insurance benefit payments for the retired worker had declined by one-third in dollars of 1958 purchasing power. By 1958, however, the old-age retired worker in 1958 in dollars had achieved a benefit of 43 percent above the 1940 level as compared to roughly a rise of 50 percent for old-age assistance and for dependent children per family.