

grams. But here there has been a lag, and the lag is partly explained by the inflation. Without inflation, clearly the adjustments of maximum benefits in relation to wage rates would have been greater.

But the greatest damage to the program has been done by the merit rating under which employers are allowed special rates when their unemployment record seems to be good. This follows even though the good record may be due to, and generally is due to, outside influence over which they have little control. In another sense merit rating has been harmful. In periods of expansion and inflation, there is a tendency for the contributions to decline, for employment records are then good; and in such periods, the employer is forgiven taxes instead of being forced to pay larger taxes which would be required under a proper anticyclical policy. One correction for this particular approach is to require minimum tax rates at all times. This approach is, of course, from the viewpoint of offsetting inflationary and deflationary forces, not ideal. But at least in this manner the program would acquire adequate resources and higher benefits, even though its ultimate contribution to treating the business cycle would not be as great as it otherwise would be.

It would be helpful, also, if the administrative agencies of the Government had some discretion in adjusting rates to changing business conditions, again assuming minimum rates as well. Therefore, in periods of great expansion, rates might be raised temporarily and in periods of deflation they might get down to the minimum fixed by the Congress.

I can only conclude that, had prices been stable from 1939 on, probably benefits would be a larger proportion of covered wages. But the great damage, again I repeat, was not done by the inflationary process but rather by the peculiar influence of the merit rating provisions in the act.

CHAPTER 7. INCOME MAINTENANCE PAYMENTS WITH PARTICULAR REFERENCE TO VETERANS' PROGRAMS

According to the Social Security Board, in 1956-57 income maintenance payments under public and private programs in 1956-57 amounted to \$20.5 billion. We have already discussed several of the programs involved and in particular the old-age and survivors and disability insurance and unemployment insurance, as well as public assistance.

The major items in these \$20.5 billion were: Social insurance, \$11.5 billion; veterans' pensions and compensations, \$2.9 billion; public assistance, \$3 billion; and private programs, \$2.8 billion, of which pension plans are \$1.1 billion and other employee benefit plans \$1.5 billion. I should also mention workmen's compensation, \$634 million, and temporary disability insurance, \$274 million.

WORKMEN'S COMPENSATION

In some of these programs the response of compensation to the rising price and wage level has not been satisfactory and some of the same problems are raised as were suggested in discussing old-age and unemployment insurance. For example, under workmen's compensation the tendency to impose a maximum compensation results in a bene-