Health insurance protection—which became effective about the time the response was prepared—was expected to decrease the need of aged persons for public assistance. It was expected to ease considerably the financial situation of younger families, as well as of the elderly persons themselves. Preliminary reports indicate that in the first 6 months in which benefits were available, some 2½ million persons will have received hospital care with a substantial part of their expenses insured under this program, and some 3½ million will have had help in meeting physicians' bills.

The program as a whole results in a transfer of income from persons with current earnings to those with little or no earnings. For the individual, income is transferred from periods when he is earning to periods when his earning capacity is eliminated or reduced. The employer payroll taxes that provide part of the financing for these income transfers may be shifted to consumers to some extent in higher prices, thus reducing slightly the apparent redistribution of income.

The income transfers appear to be primarily from middle income groups to lower income and lower middle income groups, with little impact on high-income brackets. This likelihood results from a combination of several factors—a limit (now $6,600 a year) on earnings taxable for OASDHI; the absence of exemptions from taxable earnings; and the formula for determining individuals' cash benefits which gives greater weight to low average earnings than to high ones within the taxable limit. The agency response cites a study which supports this generalization; it suggests the need for further research on redistributive effects of the system.

The OASDI program (now reinforced by the health insurance program) probably has increased labor productivity, though clear evidence on this point may be unattainable. At least three possibly favorable effects on productivity are indicated. First, a worker's knowledge that he will at least not face destitution in old age or if he becomes totally disabled, and that his death would not leave his family entirely without income, probably promotes his sense of security and his efficiency. Second, the withdrawal of workers from the labor force by retirement at age 65 or earlier changes the composition of the labor force. Earlier retirement has made possible the increased employment of women and teenagers. Although younger workers have less experience, they generally have greater educational attainments than most of the older generation. Also, dependent beneficiaries who might have been compelled to seek jobs as soon as a parent died or was disabled have been enabled by the benefit payments to continue their schooling. Third, to the extent that the OASDHI program is likely to encourage labor mobility (whereas private pension and insurance plans often tend to discourage movement), it can be argued that the program contributes to the efficient allocation of workers and thereby increases the productivity of the labor force as a whole.

Movement of elderly persons to Florida, California, and other areas with mild climate is one of the more conspicuous byproducts of OASDI. In general, the system has stimulated demand for goods and services consumed by elderly persons; this may have been offset to the extent that employed workers contributing to the trust fund have commanded less current purchasing power. It is possible that, in the absence of the social security system, younger families would