

reduction is a partial offset to any increase in his OASDI tax rate. Another thing that should be kept in mind, of course, is that these tax rates pay toward considerably more protection than was originally contemplated.

In the second column of page 42, you refer to the unfunded liability as now being about \$400 billion and that this will increase by about \$100 billion more under the President's proposal. You define this unfunded liability as being "the obligation to pay benefits for which reserves are not now in hand", which is a rather loose definition. Actually, what is meant by this concept is the amount of money that would currently have to be on hand in interest-bearing obligations if the system were to be soundly and adequately financed over the long-range future *under the completely artificial assumption that from this day on no new entrant would come into the program*. The latter assumption is one that can be dealt with in actuarial calculations, but it is meaningless in a social insurance system that provides for compulsory, continuous coverage of virtually the entire labor force.

A figure for the unfunded liability of \$321 billion had been published for the system as it stood before the 1965 Amendments. The result of these amendments, according to my estimates, was to increase this figure to about \$350 billion (not to \$400 billion, the source of which I question). Furthermore, your statement that the President's proposal would increase the unfunded liability from \$400 billion to around \$500 billion (or by 25%), is not correct, since one must take into account not only the increases in benefits, but also the future increases in contributions on the presently covered group.

In the last paragraph of the third column on page 42, you surmise that the combined employer-employee tax rate will have to increase to at least 9.3% on an earnings base of \$7,800. It is not quite clear what is meant here—whether this is to be the situation in the next year or two, or whether it is to be the ultimate situation. It would appear that the former is the case, because even under present law the rate rises well above 9.3%. Considering the short-range situation only, as you now know, the financing will be adequate at the present 8.8% for 1967-68, if the earnings base rises to \$7,800 in 1968 (and income will exceed outgo in each year).

In the various boxes on pages 42-44, cost data are given for the actual experience in 1967 under the proposal, as contrasted with what is stated to be the "original estimate". Actually, as you bring out, the "original estimate" is really that for the 1939 Amendments as made in 1943 and not the real "original estimate" that was made for the 1935 Act in 1935. The figures that you give are reasonably accurate, although in certain instances I would come out with slightly different results.

Sincerely yours,

ROBERT J. MYERS, F.S.A.,
Chief Actuary.

WHITE HOUSE ESCALATES WAR ON AIR POLLUTION*

How Johnson would clean up the air—

These new regulations . . .

- Power to control emission levels for industries with heavy pollution, with tougher standards in heavily polluted areas
- Stronger Federal enforcement procedures
- Registration of all fuel additives with Health, Education, & Welfare
- Annual inspections of smog-control devices on autos

. . . would be combined with more research

- 50% more spending on research on sulfur-free fuels, diesel fuel smoke and odors, new propulsion systems

Program proposed by the President would be headed by Federal agencies working with industry and local governments. Big question is who will pick up the tab?

"Control now for clean air" was the theme Washington pushed last December at a conference on air pollution. This week, President Johnson asked Congress to translate that slogan into a comprehensive Air Quality Act of 1967.

In a special message on protecting the nation's natural heritage, the President proposed a tough program against dirty air, with the federal government taking

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