Representative WIDNALL. Mr. Secretary, may I interrupt you at this point?

Mr. COHEN. Yes.

Representative WIDNALL. That isn't what I am getting at. What I am getting at is the adequacy and the soundness of the reserve fund.

Mr. COHEN. Yes, sir.

Representative WIDNALL. And I believe in your prior testimony, prior to my taking up the questioning, you indicated that there was just enough in cash available to take care of 1 month's payments. There is about $18 billion in other reserves.

Mr. COHEN. Yes.

Representative WIDNALL. Now, what are the reasons for the social security reserve funds, if you don't have available the moneys to instantly pay when required in time of crisis?

Mr. COHEN. In answer to that I would say I would feel a great deal better if the amount in the reserve were somewhat larger than it is now. The total reserve at the present time is equivalent to about 1 year's benefit. That is, we are spending in the nature of $20 billion to $25 billion at the present time; and the total reserves, including those in the health insurance trust fund, are about $23 billion.

I am being very general now. But it would be, in my opinion, much better if the reserve were somewhat larger. On the other hand, though, in relation to these arguments, I want to make the point that a governmental social security system does not need to have a so-called fully funded reserve. By a fully funded reserve, I mean a reserve that you would have to have if you were a private insurance company which would probably have about $350 billion for the social security program at the present time.

Now, as I said in my statement, I think we can have a reasonable pay-as-you-go financing, with a reasonable contingency reserve but, in any case, there must always be a prospective contribution rate in the law tht the Actury says will fully cover future costs. Then you have a sound system. But I think Congress should, at least every 3 to 5 years, reexamine the whole actuarial and economic base to see if they want to change the contribution and benefit levels.

But in answer specifically to your question, I would say a reserve of somewhat more than the present reserves roughly 1 year's benefit dispersals, would be desirable.

Representative WIDNALL. I believe you just said we could reasonably have a pay-as-you-go system. We do have a pay-as-you-go system right now, don't we?

Mr. COHEN. Well, it depends on exactly how you define "pay-as-you-go." We have a pay-as-you-go system now in which some small part, around 5 or 10 percent, of the cost of the program, is paid out of interest. This is, of course, substantially less than it was under the original law.

As I remember, under the original law of 1935, in the eventual long-run future, about a third of the benefits would have been paid out of interest.

Now, in answer to your previous question, that is a remarkable shift in policy in the program—to shift from a program in which one-third of the benefit disbursements were paid out of interest to 5 or 10 percent. And so we are on a somewhat more pay-as-you-go system, but I