

We have previously suggested that it is illusory to think of the social security tax structure as something apart from the total tax burden borne by corporations and individuals in the United States. Yet for an extended period of years this separation of thinking in terms of impact on the part of the public and perhaps at times in terms of Government policymaking has existed. In justice to national goals and national policy making, we can no longer afford such illogic. One reason is the weight of the financial burden. As of January 1, 1967, including the medicare portion, the individual and the corporations each pay 4.4 percent on a wage base of \$6,600 in social security taxes. The law has already scheduled further increases and President Johnson in his recent message on this subject and in the administration's bill (H.R. 5710) advocates a program which would go substantially beyond this both in terms of rates and the base to which these rates are to apply.

Perhaps more important than the question of sheer financial burden is the fact that by extending the present structure, the built-in inequities between individuals become increasingly aggravated. For example, current contributors pay something more than the discounted value of their own retirement benefits in order to finance the retirement benefits of those who have already retired but who paid less than these benefits would call for.<sup>1</sup> There is the further question as to whether the United States in terms of its social security policy is departing or has already departed from the proposition that this is truly a contributory or earned benefit system. To put the matter in reverse, aren't we now engaged, if the President's program is adopted or the present trend of social security changes continues by other means, in a system of guaranteeing annual income to elderly people without benefits being tied, or even related, to the contribution by the individual. Perhaps to sharpen the proposition even further, isn't the United States now facing up to the question as to whether the social security system is on the verge of being converted into a welfare program of old-age assistance without any tie-in to the tax mechanism; i.e., the payroll tax concept.

We don't believe that these issues should be taken lightly and we think it is incumbent upon the Joint Economic Committee to complete its study, the outline of which was presented in the joint committee print, "Old-Age Income Assurance: An Outline of Issues and Alternatives," November 4, 1966.

There is another aspect of current trends in respect to social security which because of its sheer complexity may not receive sufficient attention. This relates to the question of integration of pension plans with social security. Announcement 66-58 of the Internal Revenue Service issued on September 19, 1966, offered some tentative suggestions with regard to new rules for integrating pension, annuity, profit-sharing and stock bonus plans with social security. These suggestions include the proposal that an employer who has a noncontributory plan of the excess type in order to have it qualified for tax purposes may not provide for a benefit of over 24 percent of compensation in excess of the new wage base of \$6,600, the former percentage being 37½ percent.

<sup>1</sup> See comments by James M. Buchanan and Colin D. Campbell entitled "Voluntary Social Security," *The Wall Street Journal*, Dec. 20, 1966.