6¼ percent when the wage base was $3,600, at 20 percent when the wage base was $4,200, and at 22 percent when the wage base was $4,800. Announcement 66–58 suggests that, using the calculations applied in the past, with the wage base at $6,600, this figure should now be 50 percent.

While we think a "theoretical" justification can be made for a 50-percent test, so can a case be made for zero percent or even a hundred percent. In more detail, one argument for a zero-percent (in effect, no adjustment) factor was noted earlier in another context; namely that Social Security is an old-age assistance program with no employee having contributions earmarked for himself in the future. Another argument is that the contribution is employment related; i.e., but for the job there would be no Social Security benefits. In this case it is the employer who is really paying all the tax. This argument is further buttressed by the observation that it is take-home pay which is the yardstick employees use to measure their compensation. When taxes of any kind bite into take-home pay, pressures build and employers inevitably are pushed to replace the tax bite with take-home dollars. In sum, considering Social Security taxes as an employment cost, it might be fair to say that the entire burden is on the employer.

On the other hand, a position might be taken that in the final analysis the employee pays the entire sum because the tax can be considered as a legitimate labor cost which normally would be included in the price of the product or service.

From the layman's point of view, in terms of ready comprehension the 50-percent test is deceptively simple. While, as noted, we think a case can be made for it theoretically, the practical aspects of it do not seem to make much sense. For example, if we accept the theory that the tax is split evenly between the employer and the employee, how do we account for the fact that employers do not get refunds while employees do? To be specific, since a certain proportion of the work force changes jobs during a calendar year, a particular employee may pay more than the maximum and obtain a refund; employers have no such option. A similar situation could occur when the employee holds more than one job at one time.

Further, to arrive at 50 percent, the Announcement looks ahead to 1990—at least 3 new Presidents and 12 Congresses away. Is there any realism in working up the mathematics for Social Security projections this far out? Surely the secret of the system (which is really not a secret) is that the benefit program must trend upward in the future as it has in the past. If we assume also that the rule we are concerned with must be examined periodically, why then make projections to 1990? As we see it, this "average" worker accumulation approach is the least valid of the methods of determining employee contributions. A more realistic method is the "near future retirement" approach or to simply look ahead until 1970 and average out the percentage of contributions for 1965 and 1970. For example, IRS might establish a moving annual index or "average" cost of providing Social Security benefits attributable to employee contributions. If we did this, our guesstimate would be the current figure is in the neighborhood of 10 to 25 percent.

A more basic question is whether there is some usefulness in deriving this figure. We conclude that there really cannot be, principally because the basic assumptions behind it are neither immutable nor even free of controversy. In short, you cannot tree a possum if you cannot agree to what a possum is.

We have alluded to a number of theoretical problems above, but beyond these are some other important ones. For example, how can we account for "interest" on a contribution when no such interest is in reality earned? To do this assumes a system which is equivalent to a funded pension plan which Social Security is not. Another doubtful starting point in the finding that an employee pays for 50 or more percent of his "retirement benefit" based on his contribution is the failure of this approach to credit the employer with provided contributions for such "extras" as administrative costs and so forth. At the same time this approach seems to require acceptance of the proposition that government contributions from general revenues can be equated to employee contributions.

Finally, another puzzling aspect of the mathematics is the fact that there seems to be a need for a methodology which will push the contribution percentage upward. Historically, we have gone from 6¼ percent to the current 22 percent and the Announcement indicates we now should go to 50-plus percent. Apparently one basic assumption behind this is that with a static Social Security system this percentage could go up and up and eventually exceed 100 percent! Indeed, it is somewhat ironic that some opponents of further Social Security expansion have demonstrated this possibility mathematically by taking the situation of