

## THE OBJECTIVES OF SOCIAL SECURITY

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Social security serves two related but conceptually distinct objectives. The first is to guarantee minimum income support for the aged, the disabled, and dependent survivors. In recent years, the success of the program in achieving this welfare goal has been increasingly judged by the degree to which it keeps beneficiaries out of poverty. The second objective is to help moderate the decline in living standards when the earnings of the family head cease because of retirement, disability, or death. This earnings replacement objective is independent of the goal of preventing poverty; benefits go to families at all income levels. Both objectives of social security must be carefully defined, because acceptance of the current program and proposals for improving it hinge on the public's evaluation of their comparative importance.

The case for a social security program intended to achieve these objectives depends in part on the observed inability of most people to make adequate financial provision for retirement, disability, or premature death. Mainly, however, it depends on what appear to be widely shared humanitarian values: that (a) the aged, the disabled, and dependent survivors of deceased family heads should not have to live in destitution, and (b) the Government should help to protect individuals against catastrophic losses of income. It is also widely agreed that people should be eligible for benefits without degrading eligibility tests. The purpose of this chapter is to explain the implications of explicit acceptance of these values for broad policy decisions in social security.

Widespread acceptance of the basic objectives explains why social security is a successful institution. On the other hand, disagreement about decisions concerning the proper level and composition of benefits arises largely because social security has an appealing but distorted image based on a misleading analogy to private insurance. This image impedes intelligent consideration of alternative means of shaping the course of the program. In practice—as well as in principle—social security is not a substitute for private insurance, but rather a mechanism for transferring financial resources from the working generation to those who cannot work because of age, disability or dependency status. This is a point that has been emphasized by many economists and is no longer in serious dispute.<sup>1</sup> The key issues revolve

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<sup>1</sup> See, for example, Ida C. Merriam, *Social Security Financing*, Federal Security Agency, Social Security Administration, Division of Research and Statistics, Bureau Report No. 17 (1953), pp. 2, 135; and Paul A. Samuelson, "Social Security," *Newsweek*, Feb. 3, 1967, p. 88.