

to reject indiscriminantly *any* eligibility test for OASDI benefits. It should be kept in mind, however, that the benefits to be derived from any device that avoids the problems traditionally associated with the means test, and yet holds down the costs of public assistance, are potentially enormous. The search for such a test, similar perhaps to the test for veterans' disability pensions, continues.

The earnings test, while unpopular, does reduce significantly the cost of OASDI without raising the problems outlined above. First, since only a minority of persons eligible to receive social security benefits engage in full-time employment and thus may be subject to the earnings test, OASDI benefits are paid to the majority of the aged. Thus, the problem of segregating a minority to be singled out as the needy group does not arise. Second, because the earnings test is by design not an income test, it does not take account of the income from accumulated assets and, therefore, does not penalize individual savings.

BENEFITS ABOVE POVERTY LEVELS

The argument thus far supports the establishment of a Government program that guarantees a minimum of income support for the aged. But many of the characteristic features of the social security system go much further. While minimum benefits fall well below the officially defined poverty thresholds, benefits at the upper end of the scale are above subsistence levels and bear some relationship to the individual's lifetime earnings. A number of arguments have been made in support of such a system; in combination they add up to an impressive case.

Shortcomings of individual savings decisions.—The principle that individuals should make the bear responsibility for the decisions that affect their own economic well-being underlies much of the intellectual opposition to an old-age insurance program. Individuals are deemed to be the best judges of their own preferences. That many individuals often make foolish decisions, as recognized after the fact, is not necessarily objectionable; for in learning from their mistakes, they may develop self-reliance and accumulate practical knowledge that will be to their advantage when they make later decisions. The principle of individual responsibility is the basis of the case for free choice about economic matters in general, and there is no strong objection to it in most practical applications.

Decisions about saving for retirement, however, are vastly more difficult than nearly any other economic decision which most people are called upon to make. They depend on subjective appreciation of wants in a much later period—possibly four or five decades. They require an individual to consider his future stream of earnings and other income, and to recognize several possibilities: that he will be married and have a family; that he may be unemployed involuntarily for considerable periods of time; and that he may become disabled or die prematurely. To save intelligently, the individual must also be able to appraise the probable future purchasing power of the income from various assets. Most important of all, the individual may not be aware of his mistakes until he is close to retirement, when the consequences are irremediable.

There is widespread myopia with respect to retirement needs. Empirical evidence shows that most people fail to save enough to pre-