of the program. Presumably, this practice allows individuals to connect the lowering of income now with the promise of benefits later. But, the same effect could be achieved by devices that do not involve a payroll tax. For example, a certain percentage of the individual's income tax, or of his taxable income, could be designated as a tax to support OASDI. The tax could be withheld by the employer and labeled as the "OASDI tax" on the individual's final tax return, very much as is done today with the payroll tax on the employee's W–2 withholding form. The psychological connection between the tax and promised benefits would remain intact under this alternative, without resort to the payroll tax.

The basic point that emerges from the foregoing observations is that the payroll tax is not a necessary feature of the social security system. Payroll tax receipts are part of the total revenues of the Federal Government, and should be evaluated on their merits as a source of taxes. This means that the desirability of changes in payroll taxes should be weighted against changes in other taxes and that social security benefits should be financed by the methods which are most equitable and most conducive to economic growth and efficiency.

In place of the insurance analogy, social security should be regarded as an institutionalized compact between the working and nonworking generations, a compact that is continually renewed and strengthened by every amendment to the original Social Security Act.[23] When viewed in this light, a social security program has the eminently desirable function of forcing upon society an *explicit* decision at each point of time on the appropriate division of income and consumption between workers (the young) and nonworkers (the old, survivors, and disabled). Workers and nonworkers alike participate in the democratic process that shapes this vital distributional decision. The social security system is the mechanism by which society settles the issue of intergenerational (worker-nonworker) income distribution through the political process rather than leaving its resolution to private decisions and the market.

This last point is more general than the narrow issue of preventing poverty among the aged. Consider two workers, A and B, who always earned at least the maximum taxable wage and thus qualify for the maximum benefit; however, A is married to a woman aged 65 or older while B is unmarried. These two workers are treated most unequally. The benefit paid to A (and his wife) is 50 percent greater, while they are both living, than the benefit paid to B; and a widow's benefit is payable after A's death, while only a small lump-sum payment is paid to B's survivors (as it is also to A's), despite the fact that, by assumption, each had equal earnings before retirement and the question of poverty is not at issue. The wife's benefit is an extremely important, *explicit* redistributional device that has no connection with the problem of poverty. In short, the benefit structure under OASDI is, like the system of personal exemptions under the personal income tax, a

[23] The outstanding statement of this view of social security is by Paul A. Samuelson, "An Exact Consumption-Loan Model of Interest With or Without the Social Contrivance of Money," *op. cit.*, pp. 479–482. The best introduction to social security for the serious student is the entire Samuelson article and the later exchange, "Consumption-Loan Interest and Money," "Reply," and "Rejoinder," in *Journal of Political Economy*, vol. 67, No. 5 (October 1959), pp. 512–525, between Samuelson and Abba P. Lerner concerning some points raised by the article.