

means by which society can adjust the distribution of income that results from the workings of the private market for nonmarket, welfare considerations, such as family size.

SUMMARY

The case for social security rests on a solid basis. Given widely accepted humanitarian values and a few fundamental facts about economic behavior in our culture, it follows that the Government should maintain and continually strengthen the social security system to protect individuals from severe declines in living standards in retirement and against other risks. To serve the purposes which justify its creation, the system should be financed by the best methods available to the Government at any given time; it should guarantee minimum benefits sufficient to keep beneficiaries out of poverty; and it should pay benefits above the minimum level determined, at least in part, by the previous income or earnings experiences of beneficiaries.

Two basic features of the social security system which are widely approved and help to explain the public's acceptance of the system as a desirable permanent public institution can be traced to the analogy with private insurance. These features are the belief that benefits are earned rights to which no stigma attaches, and that they depend at least in part on past earnings of participants. The insurance analogy is misleading, however, in fundamental respects. On the assumption that the trust funds will continue to be financed approximately on a current basis, the currently employed will always be taxed enough to pay for the benefits of those who are retired. The practical importance of distinguishing between social security and private insurance is that it forces the major elements of the social security system—taxes and benefits—to be considered in the appropriate perspective. Benefits of the currently retired need not, and should not, depend on their past taxes; they should be based on an explicit decision reached by democratic political processes as to how much of the Nation's total income should be allocated for retirement benefits. Similarly, the tax should not be regarded as an insurance premium, but rather as a financing mechanism—to be judged on its own merits—for a large, essential Government program.