

ceptance of the doctrine of public assurance, without a means test, of a minimum income for all.”

The evolution Professor Burns has described is certainly not immutable. While it is not an exact description of the growth of social security in the United States, her outline does indicate possible directions of change. The present study is mainly concerned with the question of alternatives to following such stages further in the United States.

The changes in social security considered by Congress in 1967 involved a multitude of issues of benefit levels for various groups, changes in the maximum taxable income base, changes in the maximum earnings limit for retirement benefits, and so forth. No attempt is made here to examine all of these issues, or to deal with unemployment insurance or direct public welfare programs (such as general old-age assistance, aid to dependent children, and aid to the blind) covered in proposed social security amendments.

Rather, the focus of the study is on questions of long-term financing of OASDI programs. Limits on payroll taxation are considered, and alternative ways of revising the present basis of financing are examined.

In summary form the answers suggested to the major question listed above are as follows:

(1) *The future tax burden for the aged.*—The most recent projections of the Bureau of the Census indicate that the ratio of the population aged 65 and over will remain nearly a constant proportion (about 18 percent) of the population aged 20 to 64 through 1985. Thus the burden on the working population will depend primarily on the extent to which retirement and other benefits to the aged are increased in relation to average wages and salaries. Unlike some other countries, the United States is not currently in the position of having to shoulder an increasing tax burden because of a substantial rise in the proportion of the aged to the working population.

(2) *Is the burden of taking care of the aged likely to strain the limits of the payroll tax? Has the payroll tax about reached the upper limit to which it can be pushed?*

While the proportion of the aged to the working population will not change substantially in the next few decades, it is likely that Congress will endeavor to improve the economic position of the aged and to extend the range of risks covered by OASDI programs. Such changes could well require significant increases in payroll taxes in excess of those already scheduled under present law.

Under existing law the combined employer and employee tax rate is scheduled to reach 9.8 percent of taxable wages up to \$6,600 in 1969, and under the bill currently pending in Congress (H.R. 12080) the rate would reach 9.6 percent of \$7,600. The scheduled rate in H.R. 12080 will exceed 11 percent of taxable wages by 1973. The maximum tax on an employee in 1968 would be increased from \$290.40 under present law to \$334.40 under H.R. 12080. The maximum combined tax on employer and employee would increase from \$580.80 to \$668.80.

These are heavy taxes on an income of \$6,600 or even \$7,600. By way of comparison, a family with two children and an income of \$5,000 in 1967 would pay a Federal income tax of \$306 (assuming standard deductions). If this family had more than one wage earner, its direct payroll taxes would exceed its income tax.