

a minimum benefit of \$50 per month, at least partly on the grounds that an increase in the minimum to \$70 would be too great a departure from the principle of a wage-related, contributory system.

In short, while we have not entirely abandoned the contributory principle in that benefits and administrative costs in the aggregate are paid for through payroll taxes, the financing of these programs has, in the course of time, put less emphasis on the relation between the *individual's* contributions and the benefits *he* will receive.

(4) *What are the alternatives in attempting to resolve the conflicts between "social adequacy" and the strains of increasing payroll taxation?*

Recent debates and pressures for change suggest various possibilities for revision in OASDI financing. Four major alternatives are examined here:

(a) Continue approximately the present balance between the objectives of social adequacy and individual equity, accepting the possibility of increased conflicts and strains as the payroll tax rate and base increase.

(b) Provide a general revenue contribution to OASDI trust funds with a probable increase in the emphasis given to social adequacy.

(c) Modify the payroll tax by substantially increasing the maximum taxable wages or by introducing an exemption to reduce the burden on low income groups.

(d) Separate the benefits schedule in two portions, one of which would be closely related to contributions on an individual equity basis, and a second which would explicitly be based on adequacy considerations and be financed separately by general revenues.

The choice among these alternatives depends in part on value judgments concerning the relative importance of the objectives involved. However, technical and economic issues are also involved. The chief issues of both kinds in brief are as follows:

(a) *Maintaining the present system.*—Through a long political process the United States has developed a social insurance system that provides a working balance between the objectives of adequacy and individual equity. This balance is being strained as the payroll tax burden grows. Some view this "strain" as a useful restraint on excessive expenditures for benefits.

On a more technical level, the present system of payroll tax financing contains an important fiscal control device. The system requires the levying of additional payroll taxes at the same time that increased benefit levels are adopted, and the taxes are set so as to meet expected benefits and administrative costs over a long period. This is a device that is often absent in the Federal Government's general budget, although similar procedures have been proposed for administrative budget programs.

A general revenue contribution to OASDI trust funds could be fitted into the same type of fiscal control procedure. For example, any proposed increased levy for social security could require an increase in income taxes earmarked for OASDI trust funds. Even with such a procedure, benefits might increase faster than with exclusive reliance on the payroll tax both because income tax revenues are more responsive to economic growth and because Congress might be more ready to use an income tax levy than a payroll tax increase to raise the