

In the broadest terms, the "welfare" element consists of that part of benefits which is determined primarily on the basis of adequacy—in particular, the minimum benefits which bear no relation to average covered wages of the beneficiary except that covered wages must be very low. The "insurance" element consists of that part of benefits which is, or can be, related to average covered wages. Such a separation would involve a substantial revision of the benefit structure and raise many problems of defining an appropriate relation between benefits and the individual's contributions.

Some countries have developed social security systems which distinguish more clearly than in the United States between contributory social insurance programs and other forms of social security. Canada, for example, now has a two-tier system consisting of a universal old-age pension, financed by a surcharge on the individual income tax, the corporation income tax, and the Federal sales tax, plus a contributory "Canada pension plan" financed by payroll taxes much more closely related to benefits than in the United States. Each part of the system is financed through a separate trust fund. Thus the "fiscal control" element is present in both parts of the system.

A separation of insurance elements means a greater reliance on the benefit principle of taxation. The economic argument here is as follows: Where the benefits of public expenditures go to specific groups of individuals, and where taxes for the support of these expenditures can be effectively levied on these same groups, the public will, on the whole, be better off than if these expenditures were financed out of general revenues.

Isolating an insurance element in social security raises questions of whether there are insurable risks that are unlikely to be met by private enterprise and private saving, and for which compulsory coverage by a governmental system may be justified.

From the beginning of the social security system, compulsory provision for old age has been justified in part by the argument that without such provision many of the aged would become public charges. This argument still has relevance in a period of growing incomes and substantially full employment though perhaps less than in the 1930's. As family income increases, provision for their own retirement becomes one of the services that more and more people want to buy.

Forcing people to save through social insurance may appear to be an undue interference with individual choice. However, the evidence seems to be that social security has had the effect in the past of heightening people's awareness of the need for saving for old age and protection against risks of death and disability. Whether or not this effect may continue is another matter. If social security taxes continue to rise, the ability of people to save in other ways may be limited. It would not seem reasonable to compel purchase of Government insurance on a scale that would check the growth of private provision for old age.

However, the arguments may be arrayed on the question of compulsory saving for old age, at least a minimum of such compulsion is accepted in most Western countries. Acceptance of such compulsion seems to be a part of the decline of dependence on the family as an old-age security system.

Certain limitations of private provision for old age continue to provide a justification for a governmental system. Even though an em-