

ance system, it would be inequitable to ask either employers or employees to finance the entire cost of liabilities arising primarily because the act had not been passed earlier than it was. Hence, it is desirable for the Federal Government, as sponsor of the program, to assume at least part of these accrued liabilities based on the prior service of early retirees. * * * Such a contribution is particularly appropriate in view of the relief of the general taxpayer which would result from the substitution of social insurance for part of public assistance.⁷

Congress, however, rejected the recommendation for a general revenue contribution.

The 1950 amendments substantially liberalized benefits and increased the taxable wage base, as well as providing a new schedule of future increases in payroll tax rates. Extensions of coverage and liberalizations of benefits further weakened the relation between contributions and benefits. Substantial increases were provided for those already receiving retirement benefits. In general, benefits were to be computed on recent postwar levels of earnings, regardless of the fact that the individual's lifetime contribution reflected in part the much lower levels of pre-World War II wages and salaries. Inflation almost inevitably forced a shift in emphasis to "social adequacy" for older workers and those already retired.

The Social Security Act Amendments of 1956 empowered the Secretary of Health, Education, and Welfare to appoint periodically an Advisory Council on Social Security to review existing law and programs. The first Advisory Council was appointed in 1957 and made its report on January 1, 1959. The second Advisory Council was appointed in 1963 and made its report on January 1, 1965.

The reports of these two advisory councils marked a change in emphasis in financing methods. Both councils emphasized their belief in the principle of "self-support," in other words, continued payroll financing without a general revenue contribution. Both also emphasized a belief in the "current principles" of the system. However, the content, wording, and emphasis of the recommendations indicated a substantial change from the report of the Advisory Council of 1948.

One change was a virtual acceptance of the principle of pay-as-you-go financing. While this shift was not stated outright in the texts, the recommendation on the role of the trust funds in the 1959 report was as follows:

The Council approves of the accumulation of funds that are more than sufficient to meet all foreseeable short-range contingencies, and that will therefore earn interest in somewhat larger amounts than would be earned if the funds served only a contingency purpose. The Council concludes, however, that a "full" reserve is unnecessary and does not believe that interest earnings should be expected to meet a major part of the long-range benefit costs.⁸

⁷ *Ibid.*, p. 13.

⁸ The 1959 *Report of the Advisory Council on Social Security Financing*, reprinted in William Haber and Wilbur J. Cohen, *Social Security, Programs, Problems, and Policies, Selected Readings* (Homewood, Ill.: Richard D. Irwin, Inc., 1960), pp. 149.