

The Council expressed the belief that "the trust funds are and will continue to be larger than would be required for contingency purposes alone."

The 1965 report of the Advisory Council on Social Security recommended that:

The contribution rates now scheduled in the law should be adjusted to avoid the rapid increase in trust fund assets that will otherwise begin with the rate increases schedule for 1966 and 1968.⁹

The virtual acceptance of pay-as-you-go and changes in the benefit structure marked a further departure from the individual equity principle in social security financing. The relation between the individual equity principle and pay-as-you-go financing is not a simple one. It is possible to have a social insurance system related to "individual equity" with or without the accumulation of a reserve fund. However, when the advisory councils "reaffirmed" the principle of self-support (in that payroll taxes should provide sufficient revenue in the long run, with little accumulation of reserve funds, to meet benefit payments and administrative costs), they failed to spell out the implications for the individual.

There were critics and students of the social security system who did emphasize these implications. Robert M. Clark, who made a detailed study of the British and American social security systems for the Government of Canada, noted in 1959 that:

The critical test of the actuarial soundness of the [OASI] program is * * * yet to come * * *. This is readily apparent from the fact that by 1969 the tax rates for [OASI] will have to be raised from the combined rate * * * of 4 percent in 1958 to 8½ percent * * *. Sooner or later voices are likely to be raised in the Congress saying that the burden of contributions for the program is becoming too heavy for a significant fraction of the self-employed, or for the lower income groups. Some will demand a subsidy from general revenues, others a change in the tax structure to reduce the burden on those with relatively low incomes.¹⁰

The implications were further developed by Mr. Ray Peterson in a paper for the Society of Actuaries in 1959.¹¹

The questions involved here are difficult ones which have not really been subjected to sufficient economic and actuarial analysis appropriate to a wealthy and growing economy with substantially full employment. Certain problems of individual equity in a pay-as-you-go social insurance system are examined in the appendix. These problems are reflected in the concept of "actuarial soundness."

⁹ *The Status of the Social Security Program and Recommendations for Its Improvement* (Washington, D.C.: 1965), p. 18.

¹⁰ *Economic Security for the Aged in the United States and Canada*, a report prepared for the Government of Canada (Ottawa: Queen's Printer, 1960), vol. I, p. 155.

¹¹ "Misconceptions and Missing Perceptions of Our Social Security System (Actuarial Anesthesia)," *Transactions of the Society of Actuaries*, vol. II, meeting No. 31, November 1959, pp. 812-919.