

and other factors. Nevertheless, the expected (discounted) value of a typical individual's benefits or "protection" could hardly be allowed to fall below the value of the individual's own contributions without causing legitimate protests on equity grounds. Moreover, if the whole social insurance system is to be justified substantially as a wage-related, contributory system, a similar limit must apply in some degree to the employer's contribution.

This review of financing principles indicates that the principle or "individual equity" in OASDI programs needs detailed re-examination.

IV. MAJOR ALTERNATIVES IN FINANCING SOCIAL INSURANCE

The conflict between the objectives of "social adequacy" and "individual equity" were notably illustrated in 1967. The Administration's proposed social security amendments (contained in H.R. 5710) were designed largely to make the OASDI programs a more effective instrument in the "war on poverty."

The President's message on older Americans (January 23, 1967) said:

Although social security benefits keep 5½ million aged persons above the poverty line, more than 5 million still live in poverty.

A great nation cannot tolerate these conditions. I propose social security legislation which will bring the greatest improvement in living standards for the elderly since the act was passed in 1935.

The adequacy objective was reflected in the large increase in the maximum tax base (which raises the tax relatively more than benefits for those with earnings near or above the maximum), in the increase in minimum old-age retirement benefits from \$44 to \$70 per month, in the special provisions for those with 25 years or more of coverage, and in other provisions. The proposed 60-percent increase in the minimum old-age retirement benefit was intended particularly to provide more adequate benefits to low-paid and irregularly employed workers, whose contributions, even under the proposed increases in tax rates and the maximum tax base, would by no means provide for such benefits. "Every insured worker retiring at or after age 65 would be paid at least \$70, regardless of how long he worked under the program."¹

The concern of the House Ways and Means Committee with maintaining a wage-related system was evident in the questioning of administrative officials and elsewhere.² In answering questions on the proposed minimum old-age benefit before the committee, W. J. Cohen, Under Secretary of the Department of HEW, admitted that

¹ U.S. House of Representatives, Committee on Ways and Means, *Section-by-Section Analysis and Explanation of Provisions of H.R. 5710, the "Social Security Amendments of 1967"* as introduced on Feb. 20, 1967 (prepared and furnished by the Department of Health, Education, and Welfare), committee print, 90th Cong., 1st sess., p. 22.

² In a letter to the *New York Times*, dated Aug. 9, 1967, Representative Barber B. Conable, Jr. (R., N.Y.), a member of the House Ways and Means Committee, said: "Social security has had wide acceptance and strong support because through it a man can invest in his retirement, rather than simply suffer another form of taxation * * *. Social security must remain a substantially wage-related supplement if it is to continue as a valuable and widely supported aid to the working man. * * * (*New York Times*, Aug. 14, 1967).