

The small extent to which benefits have been prepaid is shown in an estimate by the Chief Actuary of the Social Security Administration:

For those now on the rolls (1964), it is likely that they would have paid, at most, for about 10 percent of the benefits actually payable to them.¹⁰

As indicated in section II, the tax-benefit ratios have changed drastically for new entrants to the labor force. The ratio of the value of the employee's tax payments to the expected value of the benefit under existing legislation would be nearly tenfold greater for persons retiring in 2010 than for those retiring in 1965.¹¹ If people have had illusions in the past about the degree to which they were paying for their own social security, these illusions are likely to be dispelled in the future. The impact of payroll taxes at current and prospective levels will almost certainly generate opposition to increased social security benefits.

Maintaining approximately the existing balance of objectives in OASDI programs will be difficult in the future even if that balance is deemed desirable.

PROVIDING A GENERAL REVENUE CONTRIBUTION

The objective of more adequate benefits was clearly a part of the proposed general revenue contribution in the social security bill (S. 3661) introduced in 1966 by Senator Robert Kennedy. In introducing this bill, he said:

* * * in 1964, two out of five aged couples in this country had incomes of less than \$3,000. One out of four had income of less than \$2,000.

For these elderly people, social security has still not lived up to its original promise to avert economic insecurity in retirement. We must now keep that promise. We must now provide adequate benefits, and we can do so with fiscal soundness to all who are insured. We must explore the full potential of the social security system to serve as a guarantor of the retired years of our people.¹²

In addition to emphasizing adequacy, some proponents of a general revenue contribution argue not only that the payroll tax is high, but that this is a poor way to finance increases in benefits. If the OASDI system is to be made more of an instrument for preventing or removing poverty, it would hardly be fair to do so with a tax that reaches a maximum at \$6,600 or \$7,600. An increased emphasis on social adequacy would more logically be accomplished through tax burdens based on ability to pay.

On the benefits side, it is argued by others that a general increase in social insurance benefits would be an expensive way to reduce poverty because benefits would also be increased for those well above the pov-

¹⁰ Statement quoted in American Enterprise Institute, *Legislative Analysis, Proposed Social Security Amendments of 1967* (Washington, D.C.: 1967), p. 41.

¹¹ Tax Foundation, *Economic Aspects of the Social Security Tax* (New York, 1966), p. 48. Comparisons were based on an interest rate of 3½ percent, and assumed that the individuals earned the maximum taxable wage or more.

¹² *Congressional Record—Senate*, vol. 112, No. 122, July 28, 1966, p. 16605.