

vorced wives and widows who remarry. More and more the system has provided pensions for all retired persons regardless of whether or not they have paid for them.

The following examination of cost-benefit ratios under the Federal old-age insurance program shows how far the program has, in fact, departed from the popular conception of insurance. Section I includes estimates of cost-benefit ratios for persons retiring in 1967. Section II includes estimates of cost-benefit ratios as provided in the law for young persons entering the system. Section III outlines some of the problems in making cost-benefit estimates.

I. COST-BENEFIT RATIOS FOR PERSONS RETIRING IN 1967

A person retiring in 1967 could have paid social security taxes for no longer than 30 years. The value of his OASDI taxes accumulated at rates of interest on series E savings bonds until 1963 and 4 percent thereafter is at most \$6,580—\$4,720 in taxpayments and \$1,860 in interest. Table 1 shows that up to 1950 the maximum taxpayment per year for old-age and survivors insurance was only \$60. The tax rate was 2 percent—1 percent on the employer and 1 percent on the employee—and the maximum wage base was \$3,000. Since 1950, the tax rate and the wage base have been gradually raised. In 1966 the tax rate, excluding medicare, was 7.7 percent; the maximum wage base, \$6,600; and the maximum taxpayment, \$508 per year.

TABLE 1.—COMBINED EMPLOYER-EMPLOYEE TAX RATE, THE MAXIMUM WAGE BASE, AND THE MAXIMUM ANNUAL TAXPAYMENT UNDER OASDI, EXCLUDING MEDICARE

Years	Combined employer-employee tax rate (percent)	Maximum wage base	Maximum tax payment per year
1937-49.....	2	\$3,000	\$60
1950.....	3	3,000	90
1951-53.....	3	3,600	108
1954.....	4	3,600	144
1955-56.....	4	4,200	168
1957-58.....	4.5	4,200	189
1959.....	5	4,800	240
1960-61.....	6	4,800	288
1962.....	6.25	4,800	300
1963-65.....	7.25	4,800	348
1966.....	7.7	6,600	508
1967-68.....	7.8	6,600	515
1969-72.....	8.8	6,600	581
1973 on.....	9.7	6,600	640

A person retiring in 1967 has had, since 1939, survivors' insurance for his wife and young children in case he died early. Since 1956, he has also had disability insurance. If it is assumed that 20 percent of taxpayments of the worker who lives to retirement has gone to pay for these other forms of insurance, this person has paid a maximum of \$5,263 for old-age insurance alone.

A worker retiring in 1967 who has paid in the maximum is entitled to an annual pension of \$1,631, plus \$816 for an aged wife, a total of \$2,447. As shown in table 2, a pension of this amount, discounted at 4 percent for the average length of life that they can expect—14 more years—is worth \$26,631. Their social security benefits are worth five times the value of the payroll taxes he has paid in.