

TABLE 2.—COST-BENEFIT RATIOS FOR PERSONS ALREADY RETIRED UNDER THE FEDERAL OLD-AGE INSURANCE PROGRAM

Age and starting date under OASI	Retirement date	Average annual wage	Total value of OASDI taxes ¹	Total value of taxes for old-age insurance alone ²	Annual pension for man and wife	Value of pension for 14 years ³	Cost-benefit ratio (column 5 divided by column 7, percent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Married man:							
40 in 1937.....	1962	Maximum base.....	\$3,782	\$3,026	\$2,330	\$25,358	12
37 in 1937.....	1965	Maximum base.....	5,200	4,160	2,371	25,804	16
35 in 1937.....	1967	Maximum base.....	6,579	5,263	2,447	26,631	20
35 in 1937.....	1967	$\frac{3}{4}$ maximum base..	4,934	3,947	2,023	22,017	18
35 in 1937.....	1967	$\frac{1}{2}$ maximum base..	3,289	2,632	1,618	17,609	15
Married man, with a tax payment computed in terms of constant dollars: 35 in 1937.	1967	Maximum base.....	8,700	6,960	2,447	26,631	26
Married man with working wife: 35 in 1937.	1967	Maximum base.....	13,157	10,526	3,262	35,501	30
Single person: 35 in 1937.....	1967	Maximum base.....	6,579	5,263	1,631	17,750	30
Self-employed, married man: 49 in 1951. ⁴	1967	Maximum base.....	3,635	2,908	2,447	26,631	11

¹ Compounded at E-bond rates until 1963 and 4 percent thereafter.² 80 percent of column 4.³ Discounted at 4 percent interest.⁴ First covered in 1951.

Many retired workers have had an even more attractive bargain. Social security pensions may now be based on covered wages only since 1951, and the lowest 5 years in wages may be excluded. It is possible for a worker retiring in 1967 to obtain a pension worth \$26,631 even if he paid no taxes before 1956, but maximum taxes since then. At age 65, the value of such a person's taxpayments for old-age insurance would be only \$3,037. He would receive almost nine times what he has paid in. Most workers who have been "blanketed" into the system since it began have received similar bargains, although over time the low cost-benefit ratios of these groups will disappear. Coverage was extended to domestic workers, farm wage workers, and the self-employed in 1951, self-employed farmers in 1955, dentists and military servicemen in 1956, and self-employed physicians in 1965. In 1950 only 62 percent of the labor force was covered compared with over 90 percent in 1967.

A group that has not had such a good bargain is those who are single at retirement—whether a bachelor, widower, or, in some cases, divorced. A single worker who has paid maximum taxes since 1937 and retires in 1967 is entitled to receive a pension of only \$1,631 per year. This is because he does not receive a secondary benefit for an aged wife. Single persons are not supposed to need as large a pension as married couples—although this is not always the case. This pension is worth \$17,750, compared to the total value of his taxes for old-age insurance of \$5,263. His cost-benefit ratio is 30 percent. (See table 2.)

The cost-benefit ratios of working couples are also relatively high. If a man and his wife, retiring in 1967, have both been employed and paid maximum taxes since 1937, together they will have paid in taxes worth \$10,526. But, a wife cannot receive both the pension she is entitled to as a wife and the pension she herself has earned. She receives only the larger of the two. A working wife is not supposed to need both the wife's portion of her husband's pension and the pension she her-