

employer taxes, and (b) the interest rate; and (3) in constant dollar terms, gainers gain less and losers lose more than is shown in calculations based on current dollars. For the reasons explained previously, this, in effect, means that the higher the rate of interest used in compounding taxes and discounting benefits, the smaller the gains or the greater the losses.

Of course, it should be emphasized that the losers identified in this section refer to the workers who are assumed to pay taxes for 43 years and to receive benefits for 14 years. These workers may become gainers if they pay taxes for a shorter period of time or receive benefits for a longer period of time, with the result that they receive more than they have paid in taxes.

It is true that some workers will have paid into social security more than they may expect to receive in benefits under the assumptions specified above. This phenomenon has been used by some writers to argue that a young worker of today will fare better financially if he uses the tax dollars which he and his employer pay into social security to purchase coverage from a commercial life insurance company. This proposition will be examined in the following section.

TABLE 1.—RATIOS OF TOTAL TAXES (1937-65) TO TOTAL BENEFITS (1966-79)—THE MAXIMUM EARNER

Price level	Taxes	Benefit		
		Employee's retirement benefit	Employee's retirement and wife's benefits	Maximum family payments
Current prices, 1937-65.....	Employee taxes.....	0.17	0.11	0.07
	Combined employee-employer taxes.....	.33	.22	.15
	Employee taxes plus 50 percent of employer taxes.....	.25	.17	.11
1965 price.....	Employee taxes.....	.25	.17	.11
	Combined employee-employer taxes.....	.50	.33	.23
	Employee taxes plus 50 percent of employer taxes.....	.38	.25	.17

Note: See notes following table 3.

TABLE 2.—RATIOS OF TOTAL TAXES (1937-65) TO TOTAL BENEFITS (1966-79)—THE MAXIMUM EARNER

Price level	Taxes	Benefit		
		Employee's retirement benefit	Employee's retirement and wife's benefits	Maximum family payments
Current prices, 1937-65.....	Employee taxes.....	0.13	0.08	0.06
	Combined employee-employer taxes.....	.25	.17	.13
	Employee taxes plus 50 percent of employer taxes.....	.19	.13	.09
1965 price.....	Employee taxes.....	.18	.12	.09
	Combined employee-employer taxes.....	.35	.24	.18
	Employee taxes plus 50 percent of employer taxes.....	.26	.18	.13

Note: See notes following table 3.