In terms of retirement benefits, workers A and B would probably do as well under either system, but worker C suffers a cost disadvantage.

E. COMPARISON OF COSTS FOR SURVIVORS, DISABILITY, AND RETIREMENT BENEFITS

In order to compare the entire package of coverage, the total of social security taxes and of private insurance premiums should be considered.

Worker	Present values of premiums and taxes at 3 percent interest (for all 3 benefits)	
	Private insurance [1]	Social security
A	$5,300–$6,000	$4,210
B	7,900–8,700	7,000
C	13,200–14,200	15,400

[1] The totals in the column are not equal to the summation of the figures quoted for the separate policies, because a company's rates may be low on one policy while high on another.

When the three benefits are taken together as a package, worker A enjoys a distinct cost advantage, and worker B, a somewhat smaller cost advantage. The cost advantage in both cases is enhanced by the tax-free treatment of social security benefits. On the other hand, worker C experiences a cost disadvantage, but this is reduced since social security benefits are nontaxable. Further, worker C might even enjoy a cost advantage if he is employed in an occupation that would occasion higher insurance premiums from a commercial insurer.

The foregoing computations and observations may now be summarized. (*a*) With respect to suvivors benefits and disability benefits, there seems to be a distinct cost advantage in social security vis-a-vis private insurance for the three hypothetical workers, A, B, and C, with the assumed age, earnings, and family circumstances. (*b*) As for retirement benefits alone, workers A and B appear to do as well in terms of comparative cost for coverage either under social security or private insurance, while worker C suffers a cost disadvantage. (*c*) Taking the package of all three benefits, social security is shown to offer a cost advantage to Workers A and B and to present worker C with a cost disadvantage. (*d*) The tax-free nature of social security benefits increases the cost advantage to workers A and B, and lowers the cost disadvantage to worker C. And (*e*) even worker C may not suffer the cost disadvantage if he is required to pay higher premiums than those assumed in the computations for disability benefit coverage from private insurance. (See footnote 1 to table.)

F. ALTERNATIVE ASSUMPTIONS ABOUT THE EMPLOYER CONTRIBUTION

One of the important assumptions upon which the above conclusions are based is that, when a worker buys private insurance, he will have the funds from his employer who now contributes them to social security. In other words, implicit in these comparisons is the full-backward-shifting assumption regarding the social security taxes paid by