

the employer. Under the alternative assumptions, those of no-backward shifting and half-backward shifting, different conclusions as to the relative cost emerge, as shown in the following table:

Worker	Present values of premiums and taxes at 3 percent interest (for all 3 benefits)			
	Private insurance	Social security		
		No-backward shifting	Full-backward shifting	Half-backward shifting
A.....	\$5,300-\$6,000	\$2,105	\$4,210	\$3,150
B.....	7,900-8,700	3,500	7,000	5,250
C.....	13,200-14,200	7,700	15,400	11,550

It can be readily appreciated that worker C begins to encounter a cost disadvantage when more than 75 percent of his employer's taxes are shifted to him.

G. CERTAIN LIMITATIONS ON COST COMPARISONS

Cost comparisons between social security and private insurance should not be performed without the recognition of certain limitations, several of which may be noted. (a) Single men and single women pay the same social security taxes as do married persons; the taxes do not differ as between those married persons with dependents and those without dependents; and the taxes are the same regardless of the number of dependents. Taxes vary between and among individuals only as their earnings differ, up to the maximum taxable earnings. If the above categories of persons' earnings from employment are the same, they pay the same taxes, but they are entitled to different amounts of benefits. (b) A self-employed person pays 50 percent more in taxes than the employee portion of the social security taxes that an employed worker pays. If their earnings and family circumstances are identical, their benefits will not differ. (c) A working wife, who contributes toward social security just as anyone else, may not increase her benefit, because no one individual can receive the full amount of more than one type of benefit. (d) To be "fully insured" under social security, a worker, attaining age 65 in 1991 or later, needs 10 years or 40 quarters of work covered by social security; to be "currently insured," a worker needs at least 1½ year's covered employment within the 3 years before death or retirement; and to be eligible for disability benefits, a worker must be fully insured, and 5 years of his work must have been in a 10-year period ending when he becomes disabled. So long as a worker satisfies these conditions, he is entitled to the benefit payments under the law. On the other hand, continuity of payment of private insurance premiums for the periods of time specified in the comparison above is necessary if benefits will be payable. (e) Some persons continue to work after age 65 and thus pay social security taxes, but their benefits are not thereby increased when they retire. The earnings test before age 72 reduces benefits to some persons and eliminates other individuals from receiving benefits, but there is no such limitation in a private insurance policy. (f) Private insurance premiums include underwriting costs, and private insurance mortality and disability rates are developed from insured lives,