

TABLE 6.—VALUE OF TOTAL EMPLOYEE TAXPAYMENTS AND BENEFITS, AND TAXPAYMENTS AS PERCENT OF BENEFITS, SELECTED RETIREMENT YEARS, 1962-2010

Year of retirement	Value of taxpayments at 3.5-per- cent interest ¹	Value of benefits discounted at 3.5 percent ²			Value of taxpayments as percent of value of benefits		
		Single male	Married male	Single female	Single male (percent)	Married male (percent)	Single female (percent)
1962-----	\$1,981	\$14,995	\$25,225	\$17,437	13.2	7.9	11.4
1965-----	2,270	15,483	26,050	18,227	14.7	10.4	14.9
1970-----	4,567	16,797	28,270	18,639	27.2	16.2	24.5
1980-----	10,144	17,960	30,235	20,234	56.5	33.6	50.1
1990-----	16,830	18,425	31,021	20,899	91.3	54.3	80.5
2000-----	25,225	19,239	32,397	21,963	131.1	77.9	114.9
2010-----	32,496	19,704	33,183	22,495	164.9	97.9	144.5

¹ Based on social security law as amended in 1965. Assumes worker is employed (as an employee) at maximum covered earnings in all years after 1937, or after attaining age 20, if later. Excludes portion of tax earmarked for health insurance, and entire employer tax. Taxpayments are the same for single male, married male, and single female.

² Assumes worker is alive at age 65 and retires at that time (attaining age 65 at the beginning of the year). Married worker and his wife are the same age.

Source: Unpublished computations prepared by Ray M. Peterson, formerly vice president and associate actuary, the Equitable Life Assurance Society of the United States.

One comfort about the intergeneration transfer problem is that time alone will heal it, provided, of course, it doesn't damage the system irreparably before then. Something along the lines suggested by Professors Buchanan and Campbell might reduce the current strain on the system: a bookkeeping adjustment which would treat the cost of the intergeneration transfer as a national debt (and hence chargeable against general revenues), rather than an obligation on the social security trust fund.¹ This done, it likely would be possible to reduce social security taxes while maintaining present benefits or, alternatively, increase benefits considerably while freezing rates at their present level.

INTERBRACKET INCOME REDISTRIBUTION

The social security system has always included some degree of redistribution from high- to low-income levels, with lower paid workers receiving pensions representing a higher percentage of their average taxable income than was true of taxpayers at the upper end of the spectrum. The redistribution element has gradually increased over the years, particularly with respect to those pensioners receiving benefits determined by the legal minimum. Minimum pension beneficiaries (who may or may not be low-income beneficiaries) have enjoyed relative gains because the level of the floor has gradually increased, while the level of qualifying earnings has remained stationary.

The ratio of the basic monthly benefit to average monthly taxable wages (B/W) may be taken as a rough comparative indicator of how much a beneficiary is getting back, relative to what he paid in taxes. In a comparison of two beneficiaries, the one with the higher B/W may be considered the gainer, because he gets more back for each tax dollar he pays in. Over time, income will be redistributed from the low B/W beneficiary to the high B/W beneficiary, since the latter gets a better bargain than the former.

Table 7 shows B/W for three categories of taxpayers under provisions of all benefit schedules to date, plus under the current Presi-

¹ James M. Buchanan and Colin D. Campbell, "Voluntary Social Security," Wall Street Journal, Dec. 20, 1966. The Buchanan-Campbell proposal is considerably more intricate than I have indicated above, and includes a proposal that taxpayers be allowed to withdraw from the system. I am not convinced that the complete plan is workable unless drastic changes can be made in the income redistribution elements of the system.