to which it is applied. There are a number of considerations in making such choices other than the extent of income redistribution involved, yet, surely, this is relevant to the comprehensive design of the overall tax and expenditure policies of the Federal Government.[4]

Apart from the redistribution of income between income classes, social security transfers claims for goods and services from one age group to another. The productively employed meet the cost of benefits to those no longer at work. When the level of benefits is improved and taxes increased, the young worker may be paying more than the cost of his prospective benefits. Some students of the system argue that this will ultimately create dissatisfaction on the part of those most important in raising productivity. Of course, the young workers may rest content with the notion that their turn to enjoy improved benefits will come eventually. Or they may be amenable to an erosion of the real value of old-age income promises by inflation as a means of lightening the impact of the transfers. While such questions undoubtedly have some substance, it is by no means clear that these are additional considerations not already taken into account in the spending and saving decisions of the individuals concerned.

Other Contributory Government Programs

The other major contributory governmental programs are Railroad Retirement, Federal Civil Service, and State and local government retirement systems. Compared with OASDI, Carroll found that for the benchmark year 1957 a smaller fraction of contributions to these programs (9 to 13 percent) was attributable to the lower income groups and a somewhat smaller proportion of the benefits paid out (60 percent). The actual net transfers to families with incomes less than $4,000 were very modest, however, because of the low level of benefit payments relative to contributions in the Federal, State, and local government employee systems.

Because of the surplus from their current operations, the Federal Civil Service and State and local government retirement systems provided a net increase in saving after giving effect to the stimulus to consumption of the transfers to lower income families with higher marginal propensities to consume. In these tax-supported programs, we can see the effects upon saving and the capital markets of the funding process at work simultaneously with the redistributing of income.

Noncontributory Government Programs

Of the two major noncontributory programs supported by general revenue taxation, veterans' benefits and old-age assistance, the latter is the more effective in the redistribution of income. With tax collections distributed across all income groups and benefits allocated to the lowest income families, it is evident that this program will stimulate consumption, precisely as it is intended to do.

Veterans' benefits are heavily concentrated among lower income families, but a portion of the service-connected disability payments go to middle and upper middle income families. Carroll found reliable data particularly difficult to assemble in this section of his analysis and his estimates are, therefore, tentative.

[4] The long-range research program of the Social Security Administration includes most of the topics mentioned here.