

stages further in the United States. The answers suggested to the major questions listed above are as follows:

1. The future tax burden for the aged. The most recent projections of the Bureau of the Census indicate that the ratio of the population age 65 and over will remain nearly a constant proportion (about 18 percent) of the population age 20 to 64 through 1985. Thus the burden on the working population will depend primarily on the extent to which retirement and other benefits to the aged are increased in relation to average wages and salaries. Unlike some other countries the United States is not currently in the position of having to shoulder an increasing tax burden because of a substantial rise in the proportion of the aged to the working population.

2. Is the burden of taking care of the aged likely to strain the limits of the payroll tax? Has the payroll tax about reached the upper limit to which it can be pushed? While the proportion of the aged to the working population will not change substantially in the next few decades, it is likely that Congress will endeavor to improve the economic position of the aged and to extend the range of risks covered by OASDI programs. Such changes could well require significant increases in payroll taxes in excess of those already scheduled under present law. Under existing law the combined employer and employee tax rate is scheduled to reach 9.8 percent of taxable wages up to \$6,600 in 1969, and under the bill currently pending in Congress (H.R. 12080) the rate would reach 9.6 percent of \$7,600. The scheduled rate in H.R. 12080 will exceed 11 percent of taxable wages by 1973. The maximum tax on an employee in 1968 would be increased from \$290.40 under present law to \$334.40 under H.R. 12080. The maximum combined tax on employer and employee would increase from \$580.80 to \$668.80. These are heavy taxes on an income of \$6,600 or even \$7,600. By way of comparison, a family with two children and an income of \$5,000 in 1967 would pay a Federal income tax of \$306 (assuming standard deductions). If this family had more than one wage earner, its direct payroll taxes would exceed its income tax.

The employee also bears some part of the employer's portion of the tax whether the tax is assumed to be shifted forward in the prices of goods and services or to be shifted backward in the form of lower money wages. (It is also possible that some portion of the tax falls on profits and other nonwage income.) Moreover, a combined payroll tax rate approaching 10 percent of taxable wages is likely to have significant effects on business decisions on investment in capital equipment and on the hiring of unskilled workers. A 10 percent tax on labor may intensify problems of unemployment or partial unemployment among those groups whose unemployment rate is already high.

The level of the payroll tax may be limited by another type of consideration. It would not be reasonable, in the view of many people, to levy social security payroll taxes at a rate in excess of what benefits of a similar nature would cost if the employee were to provide them to private forms of saving and insurance. The payroll tax has risen to a level such that if a young worker today, with earnings at least equal to the maximum taxable base, computed the total of his expected payroll taxes plus interest over his lifetime, the value of his "contribution" would in many cases substantially exceed the discounted value of his expected benefits. While experts differ in their views of how these cal-