

culations should be made, such comparisons suggest a definite kind of limit to payroll taxes. Young workers who begin to find themselves in this situation can be expected to offer more and more objection to increased payroll taxes. Moreover, a general economic question is involved. It concerns allocating to social insurance, through payroll taxes, resources that would have more value in the purchase of private insurance and pensions. The significance of such a limitation may be disputed by those who point out that the insurance analogy is a very loose one and the objective of "social adequacy" is more important. This leads to the third major question dealt with in this study.

3. Have we substantially abandoned the contributory principle in favor of a social adequacy concept in OASDI programs? From the beginning the Old-Age and Survivors Insurance program was a mixed system aimed in part at relating contributions to benefits ("individual equity") and in part at making benefits adequate in terms of rough standards of minimum consumption levels. These two concepts of "social adequacy" and "individual equity" are generally conflicting because very low income groups cannot be expected to pay a full "price" for the benefits provided under social security. The old-age benefit structure, moreover, is heavily weighted in favor of those with low earnings records. The old-age retirement benefit in 1966 amounted to 62.97 percent of the first \$110 of average monthly covered wages plus 22.9 percent of the next \$290 of average monthly covered wages plus 21.4 percent of the remainder. In addition, the provisions for minimum amounts of monthly benefits give the system a strong emphasis on social adequacy. The pressure to go further in this direction was illustrated by the 1967 proposal of the administration to raise the minimum old-age retirement benefit from \$44 per month to \$70 per month. Such an increase would have been almost exclusively based on the concept of social adequacy. In fact, the Ways and Means Committee modified this proposal to provide a minimum benefit of \$50 per month, at least partly on the grounds that an increase in the minimum to \$70 would be too great a departure from the principle of a wage-related, contributory system. In short, while we have not entirely abandoned the contributory principle in that benefits and administrative costs in the aggregate are paid for through payroll taxes, the financing of these programs has, in the course of time, put less emphasis on the relation between the individual's contributions and the benefits he will receive.

4. What are the alternatives in attempting to resolve the conflicts between "social adequacy" and the strain of increasing payroll taxation? Recent debates and pressures for change suggest various possibilities for revision in OASDI financing. Four major alternatives are examined: (a) Continue approximately the present balance between the objectives of social adequacy and individual equity, accepting the possibility of increased conflicts and strains as the payroll tax rate and base increase. (b) Provide a general revenue contribution to OASDI trust funds with a probable increase in the emphasis given to social adequacy. (c) Modify the payroll tax by substantially increasing the maximum taxable wages or introducing an exemption to reduce the burden on low-income groups. (d) Separate the benefits schedule in two portions, one of which would be closely related to contributions on an individual equity basis, and a second which would