

of saving. This consideration would become important if social insurance were provided on such a scale as to check the growth of private pension funds or private saving in other forms.

A separation of "welfare" and "insurance" elements in OASDI programs could mean a more efficient and equitable financing system. But it would be difficult to accomplish. It would involve complex problems of relating benefits to contributions; some value judgments on the importance of the objectives of "social welfare" and "individual equity"; and basic economic and political decisions in drawing an appropriate line between social and private insurance.

COLIN D. CAMPBELL, COST-BENEFIT RATIOS UNDER
ROSEMARY G. CAMPBELL: THE FEDERAL OLD-AGE INSUR-
ANCE PROGRAM

What is the relationship between the value of accumulated old-age insurance taxes that persons pay into the OASDI trust fund and the retirement benefits that they can expect to receive on reaching age 65? If there were a close relationship between taxes paid in and the value of benefits received, the Federal old-age insurance program would conform to the popular conception of it as a kind of public insurance system. Workers covered by social security usually believe that they are paying for their future old-age benefits with the taxes they pay during their working years. They conceive of themselves as purchasing an insurance policy and for a person with the average life expectancy the value of the taxes paid in would be similar to the value of the benefits received.

In keeping with this insurance concept of the program, social security benefits have often been referred to as annuities and the tax-payments have been called premiums. Originally, the Social Security Administration expected to accumulate a large trust fund. When the Federal old-age insurance program began, financing it by payroll taxes—even though regressive—was justified on the basis that it was an insurance system. Though the tax would be a much larger percentage of the income of the poor than of the rich, both would be paying for an annuity to be received during their old age. Such taxes would be in accordance with the benefit principle of taxation. Also, as an insurance program, no means test would be necessary to qualify for benefits on reaching age 65. Benefits were granted to all retired persons who qualified because it was believed that most—more or less—would have paid for their old-age pensions.

Early in its development, the Federal old-age insurance program departed in practice from this insurance concept. From 1937 to 1950, planned tax increases from the original 2 percent were continuously postponed. There have been eight amendments raising benefits, including the benefits of those already retired. "New start" provisions permitting persons to use high-income years and shorter periods as a basis for benefits were adopted in 1939 and 1950. Coverage has been expanded several times to bring in additional beneficiaries who have contributed little to the fund. The 1965 amendment extends coverage to self-employed physicians and improves benefits for divorced wives and