widows who remarry. More and more the system has provided pensions for all retired persons regardless of whether they have paid for them.

A worker retiring in 1967 who has paid in the maximum is entitled to an annual pension of $1,631, plus $816 for an aged wife, a total of $2,447. As shown in table 1, a pension of this amount discounted at 4 percent for the average expected length of life—14 more years—is worth $26,631. Social security benefits are worth 5 times the value of the payroll taxes paid in.

TABLE 1.—COST-BENEFIT RATIOS FOR PERSONS ALREADY RETIRED UNDER THE FEDERAL OLD-AGE INSURANCE PROGRAM

Age and starting date under OASI	Retirement date	Average annual wage	Total value of OASDI taxes [1]	Total value of taxes for old-age insurance alone [2]	Annual pension for man and wife	Value of pension for 14 years [3]	Cost-benefit ratio (col. 5 divided by col. 7, percent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Married man:							
40 in 1937	1962	Maximum base	$3,782	$3,026	$2,330	$25,353	12
37 in 1937	1965	do	5,200	4,160	2,371	25,804	16
35 in 1937	1967	do	6,579	5,263	2,447	26,631	20
35 in 1937	1967	¾ maximum base	4,934	3,947	2,023	22,017	18
35 in 1937	1967	½ maximum base	3,289	2,632	1,618	17,609	15
Married man, with a tax payment computed in terms of constant dollars: 35 in 1937.	1967	Maximum base	8,700	6,960	2,447	26,631	26
Married man with working wife: 35 in 1937.	1967	do	13,157	10,526	3,262	35,501	30
Single person: 35 in 1937	1967	do	6,579	5,263	1,631	17,750	30
Self-employed, married man: 49 in 1951.[4]	1967	do	3,635	2,908	2,447	26,631	11

[1] Compounded at E-bond rates until 1963 and 4 percent thereafter.
[2] 80 percent of col. 4.
[3] Discounted at 4 percent interest.
[4] First covered in 1951.

Many retired workers have had an even more attractive bargain. Social security pensions may now be based on covered wages only since 1951, and the lowest 5 years in wages may be excluded. It is possible for a worker retiring in 1967 to obtain a pension worth $26,631 even if he paid no taxes before 1956 but maximum taxes since then. At age 65, the value of such a person's taxpayments for old insurance would be only $3,037. He would receive almost 9 times what he has paid in. Most workers who have been "blanketed" into the system since it began have received similar bargains, although over time the low cost-benefit ratios of these workers will disappear. Coverage was extended to domestic workers, farm wage workers, and the self-employed in 1951; self-employed farmers in 1955, dentists and military servicemen in 1956, and self-employed physicians in 1965. In 1950, only 62 percent of the labor force was covered compared with over 90 percent in 1967.

The estimated cost-benefit ratios for different groups of persons retiring in 1967 shown in table 1 indicate that the prevailing concept of social security as an insurance program in which workers are purchasing an annuity is incorrect. In fact, a significant net transfer over their lifetime is being made to the 15 million persons who are currently receiving old-age pensions.

For young persons, cost-benefit relationships are uncertain. The tax rate on payrolls, the maximum wage base, and benefit levels may