One of the important assumptions upon which the above conclusions are based is that, when a worker buys private insurance, he will have the funds which his employer now contributes to social security. In other words, implicit in these comparisons is the full backward shifting assumption regarding the social security taxes paid by the employer. Under the alternative assumptions of no backward shifting and half backward shifting, different conclusions as to the relative costs emerge. It can be readily appreciated that worker C begins to encounter a cost disadvantage when more than 75 percent of his employer's taxes are shifted to him.

Worker	Present values of premiums and taxes at 3-percent interest (for all 3 benefits)			
	Private insurance	Social security		
		No-backward shifting	Full-backward shifting	Half-backward shifting
A	$5,300–$6,000	$2,105	$4,210	$3,150
B	7,900–8,700	3,500	7,000	5,250
C	13,200–14,200	7,700	15,500	11,550

John A. Brittain: THE REAL RATE OF INTEREST ON LIFETIME CONTRIBUTIONS TOWARD RETIREMENT UNDER SOCIAL SECURITY

Paul Samuelson pictures a growing nation as "the greatest Ponzi game ever contrived" with its growth making possible ever-expanding social security benefits: "The beauty about social insurance is that it is actuarially unsound. Everyone who reaches retirement age is given benefit privileges that far exceed anything he has paid in. And exceed his payments by more than 10 times as much (or five times, counting in employer payments)." On the other hand, Milton Friedman speaks of a "raw deal" for young workers: "Retired persons currently enjoy a bonanza. But youngsters currently entering the system are getting a raw deal . . . To finance the excess payments to the growing number of retired, taxes have had to be raised repeatedly. As a result, the benefits promised younger workers are much smaller than the equivalent of the taxes paid on their wages." These disparate opinions invite a review of the arguments and a systematic evaluation of the evidence. However, the stress here will be on the real rate of interest or return on contributions under the system, rather than on the lifetime tax-benefit ratios referred to by Samuelson and Friedman. Projections by means of an abstract model suggest that even under a variety of assumptions the prospective return to most new participants under social security is far less attractive than indicated by Samuelson but better than the "raw deal" suggested by Friedman. In particular it will be argued that most participants will fare much better than investors in fixed dollar claims have in recent decades but much less well than long-run investors in equity capital.

Perhaps baffled by the diversity of opinion on how individuals are faring under the system, Congressman Ullman recently asked social security officials how he should answer his constituents on this issue: "I would like an answer to the basic question that concerns the young person coming under the social security system as to whether this is a