

or just because of the lack of jobs in a depressed labor market, retirement flexibility becomes meaningless. Early social security eligibility then becomes a sop or substitute for public assistance. At the same time it forces the worker into a situation of having to elect lower pension income in retirement for the rest of his life.

What is needed is improvement in public and private disability coverage and provisions, institution of extended unemployment compensation benefits for older workers similar to those in the Javits-Hartke amendment, and job retraining and age discrimination legislation. These measures, together with a vigorous labor market sustained by appropriate monetary-fiscal policy, would create the environment necessary to expand retirement flexibility.

HUGH MACAULEY: TAX MEASURES PROVIDING INCOME ASSISTANCE TO OLDER PERSONS

Not only is tax preference an available option, it is popular with both givers and receivers and is often chosen. The former may prefer tax relief over increased payments because new or heavier taxes are avoided, the benefits do not appear as Government expenditures which are subject to annual review and frequent criticism, and the arrangement does not require a new or expanded agency or bureaucracy to administer the benefits.

The arguments against tax preference are equally imposing but they appeal to different persons. If the need is to help the aged, a reduction in the income taxes of older persons is of benefit only to those who have both age and income. The Treasury estimates that in 1966 tax preferences to the aged costing \$2.3 billion annually were going to 11 million of an estimated 18 million aged persons. Only one-fourth of these benefits went to persons whose incomes (including social security and railroad retirement benefits) were \$3,000 or less. An additional one-fourth went to persons with incomes between \$3,000 and \$5,000. The remaining one-half went to the 15 percent of the population with incomes over \$5,000. Second, we have often seen how tax preference granted to one group generated political pressure to extend the benefits to similar or closely related groups. Third, a system of taxation, already complex from special provisions, becomes increasingly difficult or impossible to comprehend as new exemptions are added.

While the Old-Age, Survivors, Disability and Hospital Insurance program, as part of a broader social security program, is itself financed with a tax, the emphasis here will be on the income tax treatment of the payments and benefits made under the Old-Age Insurance (OAI) part of the program. It may be felt by some that, while the income tax exemption of OAI benefits helps only the aged who are relatively better off, at least the exemption does not hurt those in the lower brackets. If, however, the loss in general revenue from this source must be replaced, income taxes and/or other taxes must be increased. For every \$3 that a family making over \$15,000 has to pay in taxes to make up for the loss in revenues, a family making less than \$2,000 must pay \$1. Those in the lowest income brackets receive no benefit from the tax exemption of OAI benefits but they will help to make up the tax loss. The exemption of these benefits from tax does not conform