

by President Johnson. In fact, it is impossible to use the social security system to provide a suitable income for people at the lower end of the income spectrum unless we are willing to junk the entire underlying philosophy and transform the social security system into a particularly wasteful welfare mechanism. Another point to consider is the fact that an unknown portion of those receiving minimum benefits have not necessarily been low-income earners. It is easily possible for employees of Federal civil service, railroads, and State systems not linked to social security to qualify for minimum benefits by taking part-time jobs in covered industries for a few years. The higher the minimum benefits the more the people will be tempted to take the trouble to qualify. If, on the other hand, the needs of the genuinely poor were met through a welfare arrangement outside the social security system, few of those retired under other Government programs would qualify for the heavily subsidized minimum pensions.

An important choice lies before Congress today. It can transform the social security system into a peculiar sort of welfare program or can make the repairs that will return the system to the sound principle of an earned pension for all Americans. Two important steps will go far toward reducing costs without undermining the philosophy or financial soundness of the system: (1) The cost of the one time only intergeneration transfer should be identified—a difficult but not impossible chore—and subsidized out of general revenue, (2) the concept of a minimum benefit should be recognized as a wasteful device which has reached an inappropriately high level relative to the rest of the benefit schedule. Action suggested under step (1) would make possible an overall increase in benefits without accompanying increases in rates or base but it is unrealistic to try to use the social security system alone to provide an adequate living for all of our elderly citizens. We can and should meet the needs of our indigent aged through a generous but separate Federal program. If Congress will act with courage to preserve the original concept of the system, endless generations can continue to accept their checks with the satisfaction and self-respect that go with an earned retirement.

ROBERT N. SCHOEPLIN: INCOME TAX INDUCEMENTS FOR PERSONAL RETIREMENT SAVING

The Federal Government has four broad courses of action in improving the guaranteed maintenance income for the aged: (1) Increase the benefit schedule under OASDHI; (2) adopt and expand complementary public assistance programs; (3) introduce a new income transfer program, such as a negative income tax; (4) provide inducements—usually through tax incentives—to accelerate the rate of private saving. This paper focuses on the issue whether income tax inducements can significantly increase the rate of personal retirement saving. A particular form of incentive has received recent attention. The basic proposal is to create a special Federal income tax deduction for current personal retirement saving (including current employer pension contributions in some variants of the proposal).

The present individual income tax does tend to discourage personal saving for future needs—by the compound effect of permitting