sponsible drivers whose irresponsible attitudes must carry over to their driving habits. The frequency of such drivers could well increase the total frequency.

Another possibility of the cause for the higher frequency under a compulsory law is the difference in state enforcement practices. For example, much is made of the New Jersey "no fix" traffic ticket. Safety experts are agreed that where the enforcement index is high the accident index is low and vice versa. Further backing to this possibility is provided by the contraction of claim frequency for nearly a year in Massachusetts with the passage of Merit Rating legislation in July 1953 during which time the threat of accumulation of points against individual driving records served to reduce the number of accidents reported.

While it is generally believed that weather conditions should affect the three states of New Jersey, Connecticut and Massachusetts in reasonably the same way, the flood of claims in Massachusetts in March of 1957, a month when an excess of snow and extremely slippery driving conditions prevailed in Eastern Massachusetts, suggests the thought that the concentration of traffic that exists in and around Boston when subjected to quickly changing winter driving hazards contributes to higher claim frequencies to a greater extent than in the other two states. Two-thirds of the private passenger cars in Massachusetts are concentrated within a thirty mile radius of Boston with its narrow, twisting, cow-path streets. Old New England as typified by Boston and environs was not laid out with an eye to 20th-Century automobile traffic conditions. It is little wonder frequencies of accident are high here.

In other words, although claim consciousness is probably the major reason for the higher claim frequency in Massachusetts under a compulsory automobile insurance law, there may be other reasons contributing to the higher frequency. However, after hearing legislators at a public hearing on compulsory automobile rates state that they cannot blame people for making claims when the opportunity arises because they have to get back the money they paid in premiums due to the high compulsory rates, one cannot help but get the impression that the people are somewhat claim-conscious.

OASDI COST ESTIMATES AND VALUATIONS

BY

ROBERT J. MYERS

Volume XLVI, Page 219

DISCUSSION BY W. RULON WILLIAMSON

Before commenting directly upon Mr. Myers' current paper, I shall set down certain background remarks on "Social Security" and the segment called OASI. I shall largely omit both the Disability segment, with its separate trust fund and tax-base, as well as Medical Care currently being discussed as the next addition to what is called the "Insurance Part" of Social Security.

Freedom Loss

A few months a go a *New Yorker* cartoon showed two free tigers watching a captive tiger being hustled into a cage. One free tiger remarked to the other: "It might not be such a bad life, security-wise."

Recently I finished reading Wilhelm Roepke's "A Humane Society" which bracketed "The Welfare State" and "Inflation" as twin interacting cancerous growths within the modern economy. Both Roepke and Felix Morley have recently discussed Federalism, with its checks and balances, as a protection against the irresponsibilities of over-centralization, reviving both the wisdom of the founding fathers and that of Columbia's Burgess about the close of the last century. Roepke calls attention to Edmond Burke's comment: "Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their appetites. . . . It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters." Social Security seems to deny all men's capacity to put chains on their appetites and furnishes their amateur bureaucracy for the blacksmithing job. Given this negative attitude toward our citizen's capacity for self-governance, it is not surprising that this formerly functioning Federalism has become a centralized Government of "bigger checks and smaller balances."

Negation

The Marxist ideology has talked about the new synthesis to follow the negation and the negation of the negation. It is that Marxist line that I here follow for a spell, but not into the never-developed new synthesis. Admiral Ben Moreell's pamphlet "To Communism via Majority Vote" presents the frightening series of Marxist negations already piled up within our Republic. One of the most important of these is the National income tax—progressive in its upper tax bands. But as our National Government thus denied more and more fully a man's right to his own property, the initial denial of Constitutional limitations upon the taxing power grew in oppressiveness. The "centrist" Government denied the citizen, with more and more effectiveness, the full returns from his superior performance. Then legal and illegal "tax avoidance" grew, to "negate the negations." The Lasser annual tax guide alone carries a thousand ways of such legal self-protection.

One of the impressive progressive tax reactions has been the whole pension philosophy. Here the employee can postpone the receipt of part of his compensation until the days of reduced income in old age, and thus secure lower tax rates.

To reduce one's reported earnings as a protection from Governmental confiscation is a negation of one's pride of accomplishment, and a step away from straightforwardness. Then OASI financing and the freeing of benefits entirely from the levy of the National income tax—"number 1"—carries the negation of the negation further still. It is also a dubious extension of the National taxing power. It disarms the victim by talking about "contribution toward deferred benefits" and puts both the tax and the benefit payment outside the National budget. Now that the non-budget outlay for OASI has passed ten billion dollars, the situation—like a house set on a hill—cannot be hid.

Postponed OASI Effectiveness—More Negation

The OASI scheme seems to me—and has long seemed to me—about the most unsatisfactory method of "meeting cost" that any country has adopted for its old age benefits. It prated of serious need in old age and then set the first age payments five years off. They did begin three years, instead of five years, after starting, and it did have a lumpsum payment as an apology for the absence of monthly benefits at early death or non-qualification at 65. The first 1937 check was for a few cents. Against the ten billions in benefits of 1959, it took fourteen years to reach the first billion in 1950. Further to indicate how flippantly "need" seemed to register, the monthly benefits to the non-needy have run about three times those to "the needy" under the plan. Further, the payments in the "affluent year 1959" were ten thousand times the payments in the "needy year 1937." "Cupidity" rather than "need" seems the quality recognized.

Benefits Differences

Both England and Canada were more consistent in meeting need, in setting flat benefits. They tried to get their socializing functioning more promptly, but with greater limitations. We followed Bismarck's German lead in establishing a sort of caste system of dole-receivers, where the top men got more than the "lower orders." The explanation sometimes given was "to make it seem less socialistic." The variation has been rationalized here by the phrase "a mixture of equity and adequacy." It seems to be interpreted as "balancing self-support with charity." The range started with a range from $10 to $85, shifted to $10 to $40, but with yearly increments, and is now $33 to $127—all relating to the retired tax-payer. The range from a wife retired at 62 to a whole family would run from $12 to $254. It was initially claimed that the wage-tie would be flexible. It apparently does not easily adjust with a biennial change in formula. It is difficult either to see a clear social purpose or to justify claims of equity.

Contribution Toward Benefits

In their British Welfare State, Beveridge talked of "a shilling for thruppence." Our Social Security Board claimed for a time that "every man got a bargain." Years ago it seemed to me that men were collecting dollars of benefits for nickels of tax. The Curtis Sub-Committee in 1953 cut the nickel to two cents.

Given the happy feeling that nobody pays full cost, Mr. Peterson's recent OASI paper in the Society of Actuaries, uses some of the published studies to show that one of these days, the life-time tax-payer is apt to be overpaying for his prospective buyer-bargain. But if the employer's tax is not allocable to the individual employee's benefit—merely socialized for all employees of the country—we are thrown into a comparison between personal taxes and personal age benefits paid much later—one of those open-end accounts that can't "prove out" till the academic interest in the penny-pinching will have evaporated.

Here Mr. Myers does indicate the complexity involved in "retirement benefits" which include children under 18, their mothers under 62, wives over 62, wives over 62 but disqualified by work, dependent parents, burial benefits and aged widows. Life insurance benefits at pre-retirement deaths bring in the orphaned children, their widowed mothers, dependent parents, special agreements with the Railroad Retirement Agency, the military organization, state and local governments, compulsory self-employed covered, and some voluntary worker membership. All this scrambling of grades of belonging has been the subject of numerous actuarial studies.

Often when I write or talk on this subject, I am advised "keep it simple." And this is another negative—simplicity has become impossible. Simplicity means significant exclusions. Two men reaching 65 with the same wage record and tax payment may have radically different benefits following 65. One may keep at work till 72, be unmarried, live to 73, while the other with a young wife and children under 18, may retire at 65, live to 80 and leave a "young widow of only 62." The pre-retirement possibilities are very wide too in event of early death. Less than half of these deaths leave minor children under 18. At one death there may be a burial benefit of $250, at another aggregate payments to children and mother that can add up to more than $50,000. When "contributions toward" sound simple, they represent tremendous differences in the personal and family benefits. Protest is coming from spinsters at having to help pay the costs for men with large families.

The initial average tax in 1937, personally paid by the worker, was $9, in 1959 it had passed $60. This early limitation of taxes to so small an amount was due to the denial of benefits to the aged until certain minimum periods in the labor-market with OASI tax-payment should qualify the worker for benefits, and also to the low earnings of the depression period. But in spite of the low tax payments, the initial surplus over benefits exceeded 99% of the first year's taxes. There was some surplus each year for 20 years. In 1957 the "surplus" ran out, and has been missing for three years. In accordance with that Parkinson's Law that says that outgo rises to use up income, surplus is hardly to be expected hereafter. Due to Secretary Morgenthau's insistence the initial tax rate was doubled, making the early taxes *less* ridiculously small, and the period of "coasting" somewhat longer.

Jarvis Farley wrote a paper in this Society—perceptive of coming difficulties—and now Peterson's "Misconceptions and Some Missing Perceptions of our Social Security System" has broken the too-long Actuarial silence. Social Security had been as all-embracing a term as "Sin," against which Calvin Coolidge's minister is said to have inveighed. One has to know an evil to wage intelligent war against it. The ignorance as to OASI has saved it from much intelligent attack.

The Lost Republic

There was the America of de Tocqueville and Lord Bryce, the loss of which has been deplored by Garet Garrett and his friends. It was a Republic of Sovereign States, where *insurance* was not a central Government function, where relief was local charity, where the poorhouse was but little used. One member of the Social Security Board said "We are going to change all that." That intention was a leading negation. The change is still in progress. The radio announcer, out to help the colleges get funds, reports that workers' real wages have doubled, that college professors have lost 5% in purchasing power. Labor monopoly has been very effective. On two successive days feminine voices over the telephone announce they are "making a survey" and ask the year and make of my car and whether I am out to get a 1960 model. No one has asked me yet which part of the purchasing market I am in—the gainers or the losers, nor whether I intend to pay my own bills. Nor is it openly called silly to keep on assuming that the portion with doubled income is still unable to meet its own bills without major subsidy. The children spending more time in school are being told the "new facts of life" in courses of Social Studies.

The Word Insurance

In two briefs to the Supreme Court, the first in 1937 on the then Old Age Benefits, the second in 1959 dealing with OASI, it has been stated—truly enough—that the benefits are not *insurance,* but rather *gratuities,* presumably needed. In Bismarck's Germany, the phrase *Social Insurance* seems to have been coined after the Franco-Prussian War, as France too quickly finished paying the war indemnity. It came into use again in England between the Boer and First World Wars. It was continued by the International Labor Office, organized following World War I. A temporary emergency led into what was designed to be a permanent burden upon the nations. The word *insurance* seems to have been chosen for its connotations of dependability, self-support, "balanced and actuarially correct finance"—for its very *sound* of soundness.

The terminology was, however, a part of that negation of the individual that Hayek called "The Road to Serfdom." The temporary unbalance was not allowed to right itself, but an artificial remedy claiming to use socialism to fight socialism, sacrificed freedom, in the name of freedom. ("not such a bad life, security-wise")

In the United States 30 years ago we apparently had 1% of the citizens over 65 years of age in the poorhouses. Today they say "To stem the parade to the poorhouse, we had to invent social security. And today in accordance with the structure of the benevolences as outlined in the two briefs, well over half of our aged are in receipt of what are mainly *pauper doles,* either Old Age and Survivors Insurance or Public Assistance. The poorhouse also persists, though hardly "on parade." The "parade" is present in the substitutes.

Three Stages of Growth Chronology

1. We have established—on the statement of dire need—a system of largely deferred benefits to meet that need, and then added benefits for other needs as the negations against prompt qualifications delayed meeting the first need. 23 years of operation have passed. And at the end of that period, three years after the margin in the yearly tax collection disappeared, there were on the benefit rolls some 7½ million "retired primary beneficiaries." They had been called fully insured, and had reported small enough recent earnings to be qualified for monthly benefits or had reached the age of 72. Their "retirements" ranged from the year 1940 to the year 1959 so that the maximum periods of benefit receipts might have been nearly 20 years, and the minimum as short as 1 month. The specific personal records of tax history

were not available, but using over-all average reports, a plausible relationship of aggregate personal tax payment into the Treasury and then to the Fund, to benefits paid the retired person and members of his family, after his retirement, could be deduced. This benefit item was made up of benefits already received by the primary beneficiary or apt to be received later together with all supplemental income to his dependents, now or subsequently, either while he was getting benefits or after his death. But with a considerable potential margin of error, the results appear to show a nickel of tax for "two bucks of benefit." For the cohorts retired in 1940, 1950 and 1959, the nickel would become respectively 4 mills, 2 cents and 7½ cents for "the two bucks." The yearly relationship to the two bucks would show higher ratios for the higher taxpayers, and lower ratios for the lower taxpayers under the "bent formula" that "adapts so clumsily to later modification."

Here are 7½ million people once anxious to be self-reliant, self-supporting citizens, most of whom "would rather die than enter the poorhouse," now uncomfortable at their role of near-dependency.

2. Somewhat less than 100,000,000 "covered persons," not yet retired, whether because of too much work, or because they have not yet become "fully insured," or are not old enough yet, represent the second stage of working persons with some record of taxed wage payment, still alive. Actuarial studies indicate that the benefits to this group might represent 17.91% of taxable wage, because of their relatively brief period of remaining work-life, as compared with "new entrants," say at the age of 18, with a whole working life ahead of them. There is no expectation that taking their own taxes and those of their employers together they will anywhere near meet prospective benefits by their personally registered contributions. Using their own contributions alone and not counting upon interest earnings (later discussed) probably they are not expected to meet more than 15% to 20% of the prospective family benefits.

3. The prospective "new entrants" who are figured as having future benefits worth at a discounted value 5.23% of their pay, but seem scheduled to contribute 8.88% are left paying for all eternity for the more than 100,000,000 predecessors, who are slated to under-pay.

These later percentages assume that the system can count upon the payment of interest on accumulating funds. But in my own analysis, I have only used the benefits paid after retirement. There has been a tremendous amount of "life insurance protection" before retirement, and were the contributions of the decedents considered as available to be applied toward their death benefits, these sums fall so far short of meeting that cost, that after allotting all the interest on the trust-funds toward the deficiency, the appropriate "claims reserves" could not be maintained. The last three years all the interest accumulations were required toward the current benefit payments, and even then the funds shrank decidedly. So—focusing attention on the "retirement" part of the galaxy of benefits—I see no justification for counting on the availability of interest to help out there. I expect that in accord with the Parkinsonian Law, the accounting will continue to be hand-to-mouth!

Summarizing the three increasingly large groups—the 7½ million retired, the 'somewhat less than 100,000,000 non-retired workers' and the infinity of future tax-payers stretching out to the end of time—we have one of those confirmations of Holy Writ that so frequently evidence the thoughtfulness of historical observation—this one about visiting the sins of the fathers upon the children unto the third and fourth generations.

That first group of 7½ millions seems to be the band of decoy ducks, presumably content with their bondage—toward which they have contributed so little—2½%—or, to change the figure, the tigers caged in security. Against that subsidy of 97½%, perhaps the next group might be only 80% to 85% subsidised. But then the third group is to be left to foot the unpaid bills. What they let themselves in for is surely "up to them." Peterson, I believe, expects them to object and so does Dr. Frank Dickinson. He knows that youth is capable of rather hard-headed reversals of judgments of previous generations. *I* expect a rather superior smile as they look back upon the current inexplicable foibles of this gullible generation. My generation felt much superior to the assessment and fraternal errors of the generation before. I anticipate that today's children will rediscover some of the sound understanding "we have loved long since and lost awhile."

More Zoology

In the animal field also, the ostrich, with his head in the sand also comes to mind in regarding the dizzy growth rates. But more frequently it is the camel with the "head under the tent-flap." OASI "aged-worker camel," little head inside in 1940, was accompanied by the "dependent-of-aged-worker camel" and the "survivors-of-non-retired-workers camel." All three have got in about up to the hump. The head of the "disablement-of-workers camel" was promptly joined by the head of the dependents-of-disabled workers camel, and now the nose of the "medical-benefits camel" is sniffing at the entrance also. Or, when we watch the flock, the synthesis of hydra-headed or the volatility of the chameleon also come to mind. Peterson's designation of the nonliving "blend" would be simpler, though it misses the growth potential thought of the living organism. His "blend is so bland as to blind us to blunders" says a lot. Whether we reason from the specimens in the *zoo* or consider the dubious broth, the outcome depends on certain decisions over long periods of time by an infinite number of persons.

Public Assistance

Limiting attention to the purely National OASI makes the "Social Security dealing with aged need" seem more heartless than it was. The Staff of the Committee on Economic Security of course knew that, given the existing need in a great depression, mere promise for the future was not enough. The current answer was the Federal subsidy to the State program of Old Age Assistance, Aid to Dependent Children, Aid to the Needy Blind. The start was 1936 for Public Assistance and the National Grants to States reached $80 million—as against the delicate $1 million in 1937 toward starting the ingress of the camels. As a drain on the public funds, the combined demands of the OASI and the Assistances have only grown 150 fold from 1936 to 1959 whereas the OAB AND OASI combined has advanced 10,000 fold from 1937 to 1959. Assistance has taken an intermediary position in "dignified relief" between the poorhouse and local out-relief and the build-up furnished OASI. The poorhouse is plebian, assistance, bourgeois, OASI aristocratic. It has been the intermediate Assistance that introduced permanent total disability under a new category, well before the aristocratic handling under OASDI. It was Assistance that put in Medical Care, before the Forand Bill conversation about calling the aid "insurance."

The 1937 and 1959 Briefs to the Supreme Court are in accord with this assessment of "cod-fish aristocracy" for the "insurance flock" of camels.

Instability

Each new expansion of OASI is presented with "tongue-in-cheek" claim that *here* is stability. Two years later this claim is dropped. Another "shot-in-the-arm" is needed. Poverty (or at least personal incapacity to budget) has gained on us. After greater thought, it seems "the aged never had it so bad." The OASI tax rates that once were to stop at 3% and 3%, have now been moved up to 4¼% and 4¼%, ignoring both the Disability extras and the intangible extras for Medical Care. The assumption that our overtaxed citizens will continue to submit indefinitely to rising taxes, if only they are labeled *contributions,* and that they enjoy being talked down to, does not quite still the sound of the grumbling, nor silence the rising belief that the chains are cutting in. If we keep on with the biennial "rat-race," the whole system is clearly one of "instability."

Dizzy OASI Growth Rates

Sticking to OAB, turned into OASI, the Fabian-inspired gradualist development has in 23 years "hung up a record." The aggregate of the collected taxes, annually, has risen from $½ billion in 1937 to $8 billion in 1959. That is a 16-fold growth. 16 is 2 x 2 x 2 x 2—or 2 to the 4th power. In the same period the benefits grew from $1 million in 1937 (through $1 billion in 1950—inserted to show the thoughtful application of "gradualness") to $10 billion in 1959. This is a 10,000-fold growth. 10,000 is 10 x 10 x 10 x 10—or 10 to the 4th power.

The growth potential was there all the time. But it was the negation of responsibility or the division of treatment—the vital assistance off in the States, with part of the costs locally met, and only the National subsidy appearing in the National Budget, that permitted the quiet 1000-fold growth in a period of 14 years, to be pyramided further 10-fold in the following ten years. With the inversion of the pyramid, the tip sunk but slightly into the sub-soil, the instability of the edifice in a tremendously mortgaged real-estate below is about to give public concern.

By arranging to pay the major part of the provision from the Assistance account through 1952, instead of from the trust fund amassed from the ear-marked OASI taxes, that trust fund rose to $23 billion, and then in the three years 1957 through 1959 has only fallen off to $20 billion. Had those National subsidies to Assistance been paid from the trust fund it would now be completely exhausted.

It is against this situation that the Forand Bill and all the expansionist suggestions must be viewed.

More of the Negative

But as against this painful tracing of past bookkeeping, there must be complete inability to forecast the future progress of costs and taxes. There are scores of interlocking factors—among them the stated reaction of the enemy that we will spend ourselves into ruin, and our own possibility of rediscovering bookkeeping—that will determine what those costs will be.

Roswell Magill in the November Reader's Digest tells us that dropping off all the progressively rising income tax rates above 20% would lose us but 13% of the tax take. Doing just that amputation might release the anesthetized energy of our productive minds to get back to functioning with "their own money!" But in the inflationary reduction of the value of money, which doubly robs us, first in buying power of income, and then in taxing away what are called "gains" in capital, we have had a long-developing dulling of incentives to thrift, to modernising the productive plant through personal non-spending but prudential capital-accumulation. The income-tax is felt by all of the rank-and-file workers. For many of them now, the OASI tax weighs more heavily in dollars than does the first income tax—and they can see that the more taken from their pockets to pass out to others in this "new-assessment-ism," the less sound basis for personal choice of money-use remains to them. Even the aged Pauls for whom the Peters are being robbed—insofar as they had been thrifty through savings-bonds, building-and-loan shares, life insurance contracts—find they have lost more through reduced purchasing power, than comes to them through robbing the young Peters. They are longing to recapture the stability of the gold standard!

Verifying the Ready Reckoner

In a more "feet-on-the-ground" period, Carlyle criticized that human curiosity that sets out "to verify the ready-reckoner." Since then we have lost the confidence in some of the "too-ready reckoners." We have to bite the coin to see if it is counterfeit. In this OASI the "half-promises" as to future performance must be met by today's big baby-crop and those to come. That baby-crop seems to me to have been largely swollen by the "take-no-thought-for-the-morrow" of "big-brother's assurance that the State will provide."

The over-dependence of collectivism, heavy corporate taxation, taxing of the very interest that pays for thrift, to slow down the compounding of "the wages of risk-taking," reducing the vigor of competition, over-centralising Government, rewarding idleness, inertia, "feather-bedding" too much—these are items that call for the verification of the complex ready-reckoner that calls liabilities assets.

In a revolution, heads fall, values shift, new machinery is invented, coins are tossed, values change. The re-examination goes to private property, obsolescence, appreciation, conservation, waste, motives, incentives, goals, power and sovereignty. No brief Reader's Digest summary and simplification can replace the wisdom distilled from human experience. More understanding than cupidity must accompany demand.

As I was setting down these comments, a nagging memory sent me back to Browning's "Bishop Blougram's Apology" and the "last chapter of Saint

John." It was almost painfully pertinent. How can we in ignorance sense the "why"—and how, in the fast-moving too-short-days, can we practically remedy the ignorance?

A Few Points on Mr. Myers' Paper

Mr. Myers' paper dealing with the incompleted revolution, with the remaining mortgage against our common property unbelievably great, is a painstaking, though all-too-brief guided tour through a battered area much like our Washington South-west project of "Urban Rehabilitation." He wrote the paper months ago, and has been steadily busy on "the verification project" ever since. I waited for history to unfold so as to have that slight chronological advantage, before I should sum up my comments. They require the previously outlined background.

1. *Perpetuity*

In the 19th and 20th Annual Reports of the Fund Trustees (OASI and Disability) the figure for the OASI "trust-fund end of 1959" differs by $¾ billion. The two reports appeared less than a year apart. The complexity of the program, the various lags in decision, in administration, the bunching of certain decisions at a given time of year make this difference reasonable. I bring it in, because with a 4% difference in one figure in less than a year, it is obvious that certainty out in eternity is completely impossible. I believe that nature abhors perpetuities as she does a vacuum. Hitler only looked ahead 1000 years!

2. *Extrapolation of Long-time Forecasts*

There are scores of factors that enter into the course OASI development will take. Mr. Myers has felt the need to hold some of them constant in the two illustrations he develops. I recently attended a Population Society Meeting. One of the models of population development had to do with "urbanization" in India. A Calcutta of 89 million people showed up in "the projection." Were we to consider these graphs "interesting exercises" rather than *forecasts,* such "adventures of the mind" might be exhilarating. They become dangerous when quoted as though they were "truth" rather than "mental exercises."

3. *Low, High and Game*

The two illustrative "projections" are set down by Mr. Myers with explanations that show their frailty. One cannot know exactly what the course of evolving history may be. The low and high illustrations are to some extent determined by "ideology" of full employment, the need to check wage inflation, and other political gambits. Marx and Keynes have been well-examined lately. It seems to me that the range used is too narrow in considering "the possible"—so that the two prospects might be called *low* low and *low* high. But when the mean of the two "projects" is set down, as not any more dependable than the two boundaries of the low low and the low high, and then is quoted as making this highly suspect system "actuarially sound," "reassurance" has replaced the "need for verification."

4. *The Word Insurance*

The *word* insurance seems to have been used by Bismarck, Lloyd George, the ILO and "the new deal" to bring the *idea* of dependability, sound finance, skilled actuarial and legal direction to the aid of a new element in national life. It never seems to be defined. Challenged, the answer is that it is *social insurance.* I agree, I think, with the final word in a short interchange between the late Senator Taft and "an expert," that final remark being by the Senator: "It isn't *any* kind of insurance and you know it."

5. *Well-Established Actuarial Techniques*

The label of *insurance* could bring along for overtones the old assessment and fraternal methods (probably the most logical), those of individual level-premium life insurance, individual annuity contracts, various group or mass insurances and annuities, non-insurance-company pension trusts. It even seems to suggest bank deposits to some. Mr. Peterson's recent paper on Misconceptions assumes that the overtones of *pensions* hold. My Social Budgeting presented to this Society long ago—illustrated by Canada's flat age pension at 70—dropped the whole *insurance* feeling. Mr. Myers also seems to lean to pension methods. Fortunately these vary so widely that a whole fleet of images comes to mind as different persons consider it. The "accepted actuarial principles" of Secretary Morgenthau's phrase in the Act of 1935 was too clear to him for the comfort of other "planners." It came out. But there is no agreement as to what they are or should be in OASI.

6. *Interest*

In Mr. Myers' space-journeys to eternity, he uses discounts at interest to bring infinity down to finite limitations. As I read the cards, the two decades of margin in tax collections through denial of the value of simple social budgeting, which ended in 1956, have ended the apparent "surplus provision in taxes," and the interest earnings on the fund are cheerfully to be spent for current benefits. Parkinsonian imagination suggests the situation will continue "tight." I have noted that for a long time the underprovision in the taxes of those who die, for their dependents' benefits, is also apt to commandeer any interest allocation if it were there to build a "claims reserve," now only a quarter met. Much as the word "fund" seems safer than "reserve," because "fund" is assets-suggesting and "reserve" suggests huge unmet liability, so "interest" pleases a man when it comes in and pains him when it goes out. The "interest" entering the fund now is a part of the awkward billions budgeted out of our tax-load. I don't believe perpetual payment of interest by the tax-payers will ever be accepted as "the balancing item in blue-sky finance." I think this is a major flaw in "the level-premium figures.

7. *Actuarial Balance*

I deny the validity of any *actuarial balance* brought about by the prospect of tax-rate increases in the years 1963, 1966 and 1969—or even the assumption that today's bureaucrats can force their loosely defined creations indefinitely upon an uninformed or semi-informed electorate. Having had it quoted to me from "high places," I have been impressed by Budget Director

Stans' disapproval of other built-in tax-hungry rising-cost programs. This system merits his greater disapproval. A "very small tail" is expected to "wag a very large dog."

8. *Self-Support*

After three decades of deriding the personal desire to be self-supporting, and under some labor-monopolistic wage adjustment, so that it is *said* labor has double its former *real wages,* I am unimpressed by the claim of the obsolescent term for "the system of OASI." It seems silly to me to tell these double-wage boys that they still need all the subsidies that have been thought up for them. The money comes from the tax-payers—and just as most taxes seem to come out of the "little citizen" earning less than $20,000, I expect that most of the taxes in OASI will be paid by the same group. I guess that here it means to those taxpayers, as a message from the State: "We make the rules. You foot the bills."

9. *Need*

The second word in the paper is "need." Steadily the largest benefits go to the least needy. OAB in the needy year 1937 paid 1/10,000 of what they paid in the year called affluent—1959.

10. *Congressional Cost-Mindedness*

The proof of the pudding is in the eating. My attendance at Congressional Hearings has too little shown that cost-mindedness. I call them fiscally irresponsible. I am not really criticising Mr. Myers. He is in a tight spot. He has worked hard. But "You can't make a silk purse out of the sow's ear of collectivism."

AUTHOR'S REVIEW OF DISCUSSION

Mr. Williamson's extensive discussion of my paper concerns not only the paper, but also the more general topic of the nature of the OASDI system. My reply is confined to those points that I consider most important from an actuarial standpoint.

In general, it seems to me that Mr. Williamson is adversely criticizing development of the OASDI system to the extent that action in any direction had to be "wrong." For instance, he criticizes delay in the effectiveness of the program, pointing out that payments in the early years were very low. In this respect the fact that payments in 1959 were 10,000 times those in 1937 is really not significant because in the latter, the initial year of operation, there was no intention of having sizable payments; the ratio would have been infinity if 1959 is compared to 1936.

The program is now being effective in paying individual benefits in respect to a particular earnings level that are virtually as large as will ever be paid under present law and that go to a majority of the population aged 65 and over. Mr. Williamson ignores this as being a point for praise. Instead, he criticizes the program for paying benefits that are many times the actuarial value of the beneficiaries' contributions.