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A HISTORICAL ANALYSIS OF THE SOCIAL
SECURITY PROGRAM IN THE
UNITED STATES

A HISTORICAL ANALYSIS OF THE SOCIAL SECURITY PROGRAM
IN THE UNITED STATES

A Thesis

Submitted to the Graduate Division
in Partial Fulfillment of the Requirements
for the Degree of
Master of Arts

by

Billie J. Chew

August, 1970

Prairie View Agricultural and Mechanical College
Prairie View, Texas


THIS THESIS FOR THE MASTER
OF ARTS DEGREE

by


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Has Been Approved for the
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B.J.C.

DEDICATION

I dedicate this thesis to my most beloved family. Without their love, patience, and enormous efforts this milestone would not have been accomplished.

B.J.C.

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CHAPTER I

INTRODUCTION

Economic security means that sufficient provision has been made to furnish at least the basic material needs of an individual or family. Social insurance is one of the basic instruments used to combat economic insecurity. It is not easy to define economic insecurity but there are several basic factors involved. The loss of income is a factor that could lead to economic insecurity.

Job separation arising from old age, accidental injury, sickness and death of the wage earner are the major forces giving rise to economic insecurity. Society has attacked the problem of economic insecurity in several ways. Regulation, alleviation, and prevention have been established as the basic methods used to approach the problems of economic security.

The term social security is new in our society. Social security is a term which involves social insurance, social assistance, and related public programs. The United States was not the first country to have a social security-type program but it was not until the passage of the Social Security Act in the United States on August 14, 1935 that the term became common throughout the world.

The main objective of social security is to replace part of the earnings that have stopped or reduced because the worker retires, dies, or becomes disabled. Social security is based on similar principles as private insurance, with elements to accomplish its

social purpose and to keep it the least expensive. There are certain differences between commercial insurance and private insurance on the one hand and social security insurance, on the other; but the general idea is the same. Under the social security program the whole system is operated by the federal government and some people get more benefits than others in relation to their contributions. Several services are provided through Federal grants to States under the Social Security Act.

Almost every kind of employment and self-employment is covered by social security. Nine out of ten working people in the United States are now building protection (retirement, disability or survivor benefits) for themselves and their families under the social security program. Social security monthly benefits are based on the worker's average earnings covered by social security.

There are more than 800 full-time social security offices throughout the United States, Puerto Rico, Virgin Islands, and Guam and about 3,300 contact stations where someone from a social security office visits periodically. Social Security Administration Headquarters is located in Baltimore, Maryland.

CHAPTER II
HISTORICAL DEVELOPMENT OF THE
SOCIAL SECURITY PROGRAM

Many people consider it a great surprise when they discover that social security in its beginning was an antisocialistic and not a socialistic movement. Otto von Bismarck is the father of social security and he was no liberal or left winger.

Germany was the birth place of the first comprehensive plan of social insurance. Although during the 1880's Germany experienced greater growth in their industries which resulted in wealth and power for Germany, the workers became very discontented with the significant stoppage of income due to old age, sickness and unemployment. Social insurance had the elements necessary to curtail the rising tide of socialism by yielding to the workers' demands for income protection while simultaneously strengthening the central German government as opposed to the states and local governmental units.

He proposed a national plan of workmen's accident insurance in 1881, and for the next seven or eight years Bismarck's proposals covering other risks were vigorously debated in Germany and, indeed, throughout the world.¹ His plan also had provisions for widowhood, disability, sickness and old age. A very important supplement to Bismarck plan was added in 1911 by the British and the supplement was the provision for unemployment insurance.

¹Charles Schottland, The Social Security Program in the United States. (New York: Appleton-Century-Crofts, 1963), p. 15.

Although social security originated in Bismarck's Prussia more than fifty years had passed before it came to the United States. The United States did have a provision for workmen's compensation for industrial injury as early as 1911 although it was sanctioned by all but eight states. One state passed an old age pension law in 1923, and only four others had followed suit before the crash of 1929.² It was during the middle of the great depression when the Social Security Act of 1935 was passed making provisions for old age insurance and assistance system and the federal-state unemployment insurance plan.

A depression may be defined as a period of low business activity when prices are low, purchasing power sharply curtailed, and unemployment high. Some economists believe that a depression may be the most serious problem facing our free enterprise economic system. The future looked very good when Herbert Hoover became President in 1929. During his presidency Congress passed the Smooth-Hawley Tariff Act. This act was passed because Congress was attempting to please the pressure groups. The Smooth-Hawley Tariff increased tariffs very high. Many economists requested that President Hoover veto the bill but he did not. All important foreign nations expressed disapproval of the Smooth-Hawley Tariff and in retaliation raised their tariffs. This resulted in great

²Arthur Larson, Know Your Social Security. (New York: Harper and Brothers Publishers, 1959), p. 11.

harm to trade. Business activities started to decrease and the stock market fell in the fall of 1929.

Franklin Delano Roosevelt became president of the United States in 1933, the worst year of the Depression. During this time about one out of every four employees in the United States had lost their jobs. Many Americans feared what would happen next because of the Great Depression. In his inaugural speech he attempted to bring the United States back together seeking support of each citizen to have faith in America's future. "The only thing we have to fear is fear itself," he declared boldly.³

A new period in history started under Roosevelt and it was known as the New Deal. This marked the first time in the United States history that federal government took strong action to bring the economy out of the depression. He told the people of this country that he would provide relief for the unemployed and aid to the farmers. Roosevelt said he wanted to help the average American, whom he called the "forgotten man."⁴ During this same period of time new laws provided greater controls on business companies than ever before while government spent billions of dollars attempting to "prime the pump" of business activities through relief and public works. Several new government agencies were created.

The President signed the social security bill on August 4, 1935 which made the Social Security Act a law of the land.

³The World Book Encyclopedia, (Chicago: Field Enterprise Educational Corporation, 1969), Vol. 16 p. 412 .

⁴Ibid., p. 412 .

Administering the Act was the responsibility of the Social Security Board. The first Chairman of the Social Security Board was John G. Winant, former Republican Governor of New Hampshire.⁵ The passage of the Social Security Act of 1935 reflected a very important effort of the New Deal to establish a long range welfare program in the United States. The Social Security Act was the result of a report that was done by a Committee on Economic Security appointed by President Roosevelt in 1934. In response to this report Congress passed, just seven months later, the Social Security Act - the most extensive piece of social legislation in our history.⁶

The Original Act provided the following:

1. Grant to the states for assistance to the needy aged, blind, and dependent children.
2. Grants to the states for the administration of state unemployment compensation systems.
3. Increased grants to the states for public health services and rehabilitation facilities and increase appropriations for the Public Health Service and the Federal Vocational Rehabilitation Service.
4. Grants to the states for maternal and child health services, services for crippled children, and child welfare services, and an increased appropriation for the Children's Bureau.
5. Federal old-age insurance benefits.
6. Taxes on employers and employees to support the old-age insurance benefits.
7. Taxes on employers designed to encourage the establishment of state unemployment compensation systems.⁷

⁵Arthur J. Altmeyer, The Formative Years of Social Security. (Madison: The University of Wisconsin Press, 1966), p. 45.

⁶J. G. Turnbull, C. A. Williams and E. F. Cheit, Economic and Social Security. (New York: The Ronald Press Company, 1962), p. 66.

⁷Ibid., p. 66.

In the beginning of the Social Security Act the law only had two national social insurance programs which were old age and unemployment. There were significant changes in the old-age insurance program well before the program was in full operation. In 1939 Congress made the old-age insurance system a family program rather than a program for retired workers only which made benefits payable to a worker's dependents and survivors. In 1939 the methods used to compute the monthly benefits were changed from cumulative lifetime earnings after 1936 to average monthly earnings in covered work.

If your work is covered by social security then you will need a social security number. Only one Social Security number is needed during a person's lifetime. It has not been necessary to reissue Social Security numbers because the nine digits used for these numbers can be used for 999,999,999 people without repeating, and so far only 184,000,000 of these numbers have been used.⁸ There are very few jobs that are not covered by Social Security. The Social Security benefits are paid for by contributions based on the covered employee's earnings. (See Table I) The original Social Security Act stated that benefits would first be payable in 1942 but the 1939 Amendments made benefits first payable in 1940. The first Social Security card was issued in 1936 and the first Social Security tax was withheld in 1937.

⁸Waco Tribune-Herald, "The Family Weekly", July 5, 1970, The Family Magazine, p. 1.

Although there were changes made since 1939 there were no major changes in the Social Security program until 1950 when it extended its coverage to many jobs that had been excluded at the beginning of the Social Security Act. The type of employment that became covered in 1950 were regularly employed farm and household employees along with employees of State and Local governments, if not protected by public employee retirement system. With special arrangements employees of nonprofit organizations were also covered. The 1954 and the 1956 Amendments were very significant because it created new coverage for farm operators, most self-employed professional people, State and Local employees covered by retirement systems (except for policemen and firemen in some states) on a voluntary group basis, and the members of the Armed Forces. The 1950 Amendments stated that a worker's average monthly earnings may be figured on the basis of his earnings after 1950.

Since the original Social Security Act was signed into law there have been several changes made in the amount of work required to obtain an insured status. Because of the steady increase in the cost of living since 1935 the provisions for old-age and survivors insurance of the Social Security Act of 1935 became increasingly inadequate which led to an increase in monthly benefits.

The scope of the basic social insurance system was significantly broadened in 1956 through the addition of disability insurance.⁹

⁹Social Security Programs in the United States, U. S. Department of Health, Education and Welfare, Social Security Administration, (United States Government Printing Office, Washington, 1966), p. 9.

The 1958 Amendments provided benefits payable for dependents of a disabled worker similar to those already provided for dependents of workers retired because of old age. Prior to 1960 a worker had to be at least age 50 before he or she could apply for disability benefits but as of 1960 the age 50 limitation was removed which made it possible for disability benefits to be paid to any age before 65. The 1965 Amendments also played a significant role in the area of disability because it liberalized the definition of disability. Before the 1965 Amendments a person would only meet requirements for disability benefits if his impairment was expected to be of long-continued and indefinite duration but the Amendments made it possible for disability benefits to be payable if the impairment could be expected to last at least 12 months. A person does not receive any monthly benefits for his first six months of his impairment. The age requirement for regular retirement benefits was changed from 65 to 62 - for women it was 1956 and for men it was 1961. The age requirement for widows was changed in 1965 from 62 to 60 but at these earlier ages the monthly benefits will be reduced for the number of months that a person is from the original age.

By far the most important provision of the 1965 Amendments concerned the establishment of a comprehensive health insurance program for the aged.¹⁰ This provision created a basic hospital

¹⁰Ibid., p. 9.

insurance program financed through a separate earnings tax and trust fund which provides protection against the cost of hospital and other related care. It is better known as Medicare which has two parts. Part A of Medicare covers your hospital expenses and there is no premium charge for Part A but Part B Medicare covers your doctors expenses and as of July, 1970 the premium is \$5.30 each month. The \$5.30 premium reflects an increase of \$1.30 over the premium prior to July, 1970. Part B Medicare which is sometimes called the supplementary part of Medicare is financed by premiums beneficiaries pay, matched dollar for dollar by the Federal Government. Each year the financing is evaluated by the Secretary of Health, Education, and Welfare and the law requires that premiums be raised each year the cost of the program indicates a need.

Medicare is the name of a government program which is used to finance medical care for persons 65 years of age and over. Medicare is the newest program under Social Security. A large number of older people have limited income which prevented them from receiving sufficient medical treatment prior to the compulsory hospitalization insurance program (Part B) which helps pay doctor fees. The benefits received from Medicare enables an individual to take better care of their health which as a whole could increase the standard of living.

Some of the benefits covered by Part A are following:

- (1) Bed in semiprivate room (2-4 beds in a room) all meals, including special diets.
- (2) Operating room charges.
- (3) Regular nursing services (including intensive care nursing).
- (4) Drugs furnished by the hospital.
- (5) Laboratory tests.
- (6) Medical supplies such as splints and casts.
- (7) X-ray and other radiology services.

Some of the benefits covered by Part B are following:

- (1) Medical and surgical services by a doctor of medicine or osteopathy.
- (2) Certain medical and surgical services by a doctor of dental medicine or a doctor of dental surgery.
- (3) Laboratory services such as blood tests and electrocardiograms.
- (4) X-ray and other radiology services
- (5) Emergency room services.
- (6) Rental or purchase of durable medical equipment prescribed by a doctor to be used in your home: for example, a wheelchair, hospital bed, or oxygen equipment.
- (7) Certain ambulance services.

TABLE I

Examples of Monthly Cash Payments

This table shows examples of monthly cash social security payments. The amounts include the 15 percent increase recently signed into law. The new rates are effective January 1, 1970.

Average yearly earnings after 1950	\$923 or less	\$1800	\$3000	\$4200	\$5400	\$6600	\$7800
Retired worker-65 or older, Disabled worker-under 65	64.00	101.70	132.30	161.50	189.80	218.40	250.70
Wife 65 or older	32.00	50.90	66.20	80.80	94.90	109.20	125.40
Retired worker at 62	51.20	81.40	105.90	129.20	151.90	174.80	200.60
Wife at 62, no child	24.00	38.20	49.70	60.60	71.20	81.90	94.10
Widow at 62 or older	64.00	84.00	109.20	133.30	156.60	180.20	206.90
Widow at 60, no child	55.50	72.80	94.70	115.60	135.80	156.20	179.40
Disabled widow at 50, no child	38.90	51.00	66.30	80.90	95.00	109.30	125.50
Wife under 65 and one child	32.00	51.00	70.20	119.40	164.60	177.20	183.80
Widow under 62 and one child	96.00	152.60	198.60	242.40	284.80	327.60	376.20
Widow under 62 and two children	96.00	152.60	202.40	280.80	354.40	395.70	434.40
One child of retired or disabled worker	32.00	50.90	66.20	80.80	94.90	109.20	125.40
One surviving child	64.00	76.30	99.30	121.20	142.40	163.80	188.10
Maximum family payment	96.00	152.60	202.40	280.80	354.40	395.60	434.40

CHAPTER III
FEDERAL-STATE ASPECTS OF SOCIAL SECURITY
PROGRAMS

There are a variety of social security programs; some are purely federal, some are federal and others are local in nature. The Social Security Act provides certain requirements must be incorporated in the State laws before Federal aid may be given. All the States act as agents of the Federal Government in administering a large part of the Social Security Act. As stated before all of the states have unemployment insurance programs (wide variation among the states in regards to procedures) approved under the Social Security Act and the Federal Unemployment Tax Act. In 1933, Congress established a Federal-state system of employment offices, and since 1941 the Federal Government provides complete financing of these state employment offices.¹¹ Although the states act as agents for the Federal Government the states normally determine who shall be covered, the amount and duration of benefits, the taxes to be paid, and procedures for handling claims. The Social Security Act does not set the amount each state will give an unemployed employee so, benefits will vary from state to state although each state has a benefit limitation

¹¹Charles I. Schottland, The Social Security Program in the United States. (New York: Appleton-Century-Crofts, 1963), p. 81.

of either minimum, maximum, or both. The present federal-state unemployment insurance system is quite inadequate both in its benefits provisions and in its coverage.¹²

Many economists consider public assistance as an inevitable and permanent element of any system of social security. Under the Social Security Act, Federal grants are provided to the States for money payments, medical care, and other social services to the aged, the blind, totally disabled persons, and dependent children in low income families when they cannot meet basic needs or special needs such as medical care due to a parent's disability either mental or physical, or a parent's absence due to death, desertion, divorce, or imprisonment. There are four main public assistance programs for which federal grants are available and they are:

1. OLD-AGE ASSISTANCE (OAA)
2. AID TO THE BLIND (AB)
3. AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)
4. AID TO PERMANENTLY AND TOTALLY DISABLED (APTD)

One of the basic requirements for each state OAA program is that the claimant must be at least age 65. (See Table II) Some states will give aid only to citizens of the United States but the Social Security Act does not have any provision for the duration of citizenship requirement. Many states require an individual to have a minimum of one year residence. Old-Age Assistance benefits

¹²Arthur J. Altmeyer, The Formative Years of Social Security. (Madison: The University of Wisconsin Press, 1966), page 266.

amounts are not the same in each state.

Each state have aid to blind program. There are many states that do not have an age requirement but there are several that do which states the minimum age at 16 or 18. To be eligible for this program a person must be blind under the definition of the states which take under consideration the ability of the individual to earn his or her own livelihood rather than not being able to see anything. Some states do require that a person be a citizen to be eligible for benefits under this program. As compared to old-age assistance residence requirement under the aid to the blind is more liberal. Payments varies from state to state.

Before 1962 the AFDC program was known as aid to dependent children program. Because it was believed that more rehabilitation would be gained through more emphasis on the family as a basic unit Congress changed the name from ADC to AFDC. The child is generally assumed to be needy if he or the person with whom he is living has insufficient income or other resources to provide the child with a reasonable subsistence compatible with decency and health.¹³ The Federal Government make provisions for the states to pay needy families until the youngest child is 18 or until age 21 if the child is attending school. Payments are

¹³J. G. Turnbull, C. A. Williams, Jr., and E. F. Cheit, Economic and Security. (New York: The Ronald Press Company, 1962), pp. 73-74.

determined in the same way as the old-age assistance payments.

The 1950 Amendments provided federal grants to states for a program of Aid to the Permanently and Totally Disabled. The general requirements listed in the Social Security Act for OAA and AB apply to APTD. Each state has its own definition of permanent and total disability which are reviewed and regulated by the Federal Government. As in the other programs the benefit amount vary from state to state. Prior to the APTD program many people received benefits under the general assistance program. State and local assistance programs provide for needy person who do not qualify for one of the other types of assistance provided by the Social Security Act and for some persons getting aid through one of those federal programs, but not enough to meet their needs.¹⁴ The above statement is the basic idea of the general assistance program. States also get federal grants to pay for medical care for the public assistance beneficiaries.

The Federal Government place the responsibility upon each state to develop and administer their own public assistance programs (must be within the regulations of the Federal Government). Public welfare represents a basic assurance of minimum standards of human existence, established through the cooperation action of federal, state, and local governments to assist individuals unable to meet their own needs, in whole or in part, because of physical incapacity, loss of breadwinner, or social and economic

¹⁴Op. cit., p. 86 .

conditions, and to provide protection for the helpless.¹⁵ Each state must treat each situation on an individual basis but guarantee equitable treatment to claimants in similar circumstances.

¹⁵William Haber and Wilbur J. Cohen, Reading in Social Security. (New York: Prentice-Hall, Inc., 1949), p. 521.

TABLE II

Estimated Population 65 Years and Over and Under 18 Years by State, July 1969.

State	Estimated Population	
	65 Years and Over	Under 18 Years
Total	19,466,000	70,736,000
Alabama	306,000	1,280,000
Alaska	8,000	122,000
Arizona	135,000	657,000
Arkansas	225,000	703,000
California	1,696,000	6,770,000
Colorado	182,000	751,000
Connecticut	280,000	1,023,000
Delaware	43,000	203,000
District of Columbia	65,000	282,000
Florida	814,000	2,141,000
Georgia	349,000	1,720,000
Hawaii	43,000	302,000
Idaho	66,000	264,000
Illinois	1,103,000	3,855,000
Indiana	488,000	1,840,000
Iowa	349,000	957,000
Kansas	262,000	789,000
Kentucky	329,000	1,130,000

Table II (Continued)

State	Estimated Population	
	65 Years and Over	Under 18 Years
Louisiana	295,000	1,461,000
Maine	115,000	343,000
Maryland	276,000	1,371,000
Massachusetts	622,000	1,834,000
Michigan	759,000	3,242,000
Minnesota	407,000	1,352,000
Mississippi	215,000	909,000
Missouri	551,000	1,562,000
Montana	68,000	256,000
Nebraska	180,000	507,000
Nevada	27,000	174,000
New Hampshire	80,000	248,000
New Jersey	672,000	2,383,000
New Mexico	68,000	419,000
New York	1,998,000	5,965,000
North Carolina	407,000	1,839,000
North Dakota	66,000	226,000
Ohio	1,021,000	3,796,000
Oklahoma	288,000	847,000
Oregon	215,000	677,000
Pennsylvania	1,248,000	3,849,000

State	Estimated Population	
	65 Years and Over	Under 18 Years
Rhode Island	101,000	298,000
South Carolina	182,000	1,014,000
South Dakota	80,000	242,000
Tennessee	368,000	1,369,000
TEXAS	943,000	4,132,000
Utah	70,000	433,000
Vermont	54,000	152,000
Virginia	348,000	1,647,000
Washington	311,000	1,159,000
West Virginia	195,000	598,000
Wisconsin	463,000	1,527,000
Wyoming	30,000	117,000

SOURCE: State Department of Public Welfare (Texas) Annual Report 1969, pages 102-103.

CHAPTER IV
MACROECONOMIC ASPECTS OF THE
SOCIAL SECURITY PROGRAM

Macroeconomics is concerned with the economy as a whole or its aggregates. Prior to the 1930's economists dealt mostly with microeconomics. Since the 1930's there has been an increasing interest in the area of macroeconomics.

As of today at least 90 per cent of all employed persons in the United States are covered by Social Security. In 1968 about 24 million people were receiving Social Security checks averaging about \$85.00 per month. A large part of social security expenditures, probably as much as 70 or 80 per cent, pays for itself, and some parts of its yield handsome dividends.¹⁶ Social Security programs are instruments for redistributing or transferring income among different sections of our capitalistic society. If the social security benefits are financed mostly from the general revenues by progressive taxation then there is a substantial transfer from rich to poor in areas where the range of wealth and income is wide.

The Federal government maintains economic stability through its fiscal policy. The government budget is divided into three main groups:

¹⁶ J. H. Richardson, Economic and Financial Aspects of Social Security. (Toronto: University of Toronto Press, 1960), p. 212.

- (A) government expenditures - money spent to carry on particular functions.
- (B) transfer payments - money disbursed by business or government in return for which no services are rendered. Example: Social Security payments.
- (C) taxes - sources of revenue for the government.

Government expenditures have great effect upon national income.

When government expenditures are involved goods and services are being created. Government expenditures serve as an investment to the economy because during bad times expenditures are higher if compared with good times. If the government should increase its expenditures then national income will also increase.

Transfer payments creates no goods or services but have a tendency to rearrange private consumption. An increase in transfer payments could cause a decrease in taxes which would lead to more disposable income. Once the disposable income has increased then there can be an increase in the purchasing of additional goods and services. Disposable income is that part of the personal income that the worker actually has to spend.

An increase in taxes will decrease national income because the taxes become revenue for the Federal government. National income will increase when taxes decrease because the worker will have more disposable income due to the reduction in taxes.

The effect of social security on productivity depend mainly on the influence of transfers on incentives, saving, efficiency and mobility of labour.¹⁷ Productivity is decreased if retirement

¹⁷ Ibid., p. 220.

is mandatory at a given age because many employees would still be efficient workers. Social security taxes could also decrease capital investment because the higher the tax the less the individual will save for investment purposes. As a general rule it is not true that social security payments reduce the desire to work and to save, and that the payments injure the economy by encouraging idleness and malingering and decrease self-reliance and initiative. The above statement is valid because of the attitudes of the majority of people within our economy. Every state in the United States has an unemployment insurance program. There is no federally operated unemployment insurance program because the Social Security Act does not have provisions for one within the law. The federal government offer an incentive for the states to create and operate an unemployment insurance program. The states are willing to establish the program because the taxes levied on the employees will be returned to the state as an incentive. Unemployment insurance is defined as one of the significant built-in-stabilizers of our capitalistic society. Today, over 50 million workers are covered by unemployment compensation. Unemployment insurance benefits are characterized as reducing the mobility of labor and in some cases many economists consider this as a disadvantage. If an employee is out of work only temporarily then the reduction in mobility due to unemployment insurance is an advantage because when his labor is needed he will be available for work. As has been pointed out, the Social Security Act does not itself set up a system of unemployment insurance but

instead aims to make it easier for states to set up such systems for themselves.¹⁸

During 1945 only 3.1 million Americans were welfare recipients but as late as March of 1966 the nations welfare population had increased to 9.3 million. The United States is a very wealthy economy in material and human resources. During the 1960's about \$350 billion has been added to the Gross National Product. In the past it has been noticed that older people have a tendency to be ill more often and for longer periods of time as compared with the rest of the population.

The United States ranks low in the international scale of adequacy of social security expenditures as measured relative to national income and is only about average relative to per capita national income.¹⁹ The proportion of the national income spent on social security and its distribution among its various programs will vary from country to country according to economic conditions and sense of social responsibility. National income may be defined as the sum of all individual incomes. National income has increased greatly since the depression years of the 1930's. Income receipts may exceed income, either through delayed payment of post earnings in excess of current retentions, or through simple "transfer payments" which do not represent payment for productive services,

¹⁸Paul H. Douglas, Social Security in the United States. (New York: Whittlesey House, 1936), p. 129.

¹⁹J. A. Pechman, H. J. Aaron, and M. K. Taussig, Social Security Perspectives for Reform. (Washington, D. C.: The Brookings Institution, 1968), p. 51.

past or present.²⁰ Although the general level of business activity increases and prices rise, fixed interest income or even a moderately rising interest income become a smaller share of the national income.

National income accounting could be very important tools for businessmen, economists, politicians and many others when data is necessary to determine our economy's past performance and what may be expected in the future. The annual production of goods and services in our capitalistic economy is measured by the Gross National Product. In determining the GNP the non productive transactions must not be included. Social security payments are prime examples of nonproductive transactions which are called public transfer payments.

The social security benefits are paid for by contributions based on earnings covered under social security. The employee and the employer share the responsibility of paying contributions (See Table III). The social security contributions paid by the employer for the employee must be considered as an additional cost of labor although the employee does not get the money. Self-employed workers contribution for social security benefits are slightly lower rates than the combined rate of an employer and employee.

²⁰Gardner Ackley, Macroeconomic Theory. (New York: The Macmillan Company, 1961), p. 26.

TABLE III
SOCIAL SECURITY CONTRIBUTION RATES¹

Years	Employer, Employee, each Percent of covered earnings			Self-employed Percent of covered earnings		
	For Retirement, Survivors, and Disability Insurance	For Hospital Insurance	Total	For Retirement, Survivors, and Disability Insurance	For Hospital Insurance	Total
1968	3.8	0.6	4.4	5.8	0.6	6.4
1969-70	4.2	0.6	4.8	6.3	0.6	6.9
1971-72	4.6	0.6	5.2	6.9	0.6	7.5
1973-75	5.0	0.65	5.65	7.0	0.65	7.65
1976-79	5.0	0.7	5.7	7.0	0.7	7.7
1980-86	5.0	0.8	5.8	7.0	0.8	7.8
1987 and after	5.0	0.9	5.9	7.0	0.9	7.9

¹The contribution rates apply to earnings up to \$7800 a year.

CHAPTER V
A SOCIAL SECURITY MODEL
FOR THE FUTURE

Congress has before it a maze of proposals for new Social Security benefits.²¹ One of the most important goals of the United Auto Workers is to provide a more meaningful support to the worker and his family during periods of unemployment and short work weeks. The UAW consider the passage of a Federal re-insurance program to cover private pension plans very essential to prevent loss of pension by workers when the plant where they work goes out of business. Some economists support to put more money into existing Federal programs to make them work.

There is a great need for a national health insurance program to lower the cost of health care and to make it available to all. The Committee for National Health Insurance which consisted of a wide variety of professions created the Health Security Program. This program reflects a reorganization of health care in the United States and it has two main objectives.

- (A) Establish a national health insurance which will provide sufficient personal health services to all residents of the United States.
- (B) Through scientific management maintain a program that will offer the optimum productivity in all areas of operation.

A continuous health crisis in the United States could be very

²¹Robert J. Myers, "Social Security at the Crossroads." Reader's Digest, (April, 1970), Vol. 96, p. 81.

harmful to the American way of life. Medical cost is increasing daily because of the shortages among the personnel needed to perform the services. The need for a national health insurance exist because private health insurance is inadequate for the entire population. At least 30 million Americans have no coverage.

The Health Security Program will enter into the society by means of an evolutionary process to a rational system. Health Security Program will eliminate the necessity for Medicare and other significant health care programs supported by the Federal Government.

A Health Security Trust Fund will be established. Revenue for the trust fund will come from three areas:

- (A) Federal general tax revenues -- 40%
- (B) Tax on employer payroll -- 35%
- (C) Individual contributions -- 25%

The amount of funds to be spent in each area will be determined prior to the year of expenditures. The budgetary method is not only to control cost but create an institution where all resources receive optimum use. This system will establish the background to move the disorganized medical care system toward organized programs of health services.

Some programs to be affected by the Health Security programs are:

- (1) Medicare
- (2) Medicaid
- (3) Maternal and Child Health Programs

- (4) Crippled Children's Programs
- (5) O E O Health Programs
- (6) Medical Vocational Rehabilitation
- (7) Temporary Disability and Workmen's Compensation Programs

All residence of the United States will be eligible for this program. Some of the services rendered are physicians services, institutional services, drugs, psychiatric services and several others. The Health Security Program is a giant step toward the elimination of the present health care crisis.

CHAPTER VI

CONCLUSION

No man really knows the future of the Social Security Act of 1935. The United States may be characterized as a free enterprise capitalistic system but poverty is still one of the major problems. Social security should not be thought of as only a charitable and humanitarian device--although it helps the poor very much but the burden of the tax levied to support the benefits is shared by various groups of people, some that will receive no cash benefits for three or four decades.

The major objective of the social security program is to provide some continuity of income for the wage earner or his family due to retirement, disability or death. The benefits payments are used as a weapon to alleviate poverty.

In public assistance and unemployment insurance the Social Security Act left the States free to decide if they wanted to take part in the program under the Act. The above two programs have greatly extended and improved aid to many citizens. Many programs operated by the States varies in provisions and payments but each state must have a plan approved by the Federal authorities. The present public assistance program is not sufficient in its benefits provisions and in its coverage.

Private insurance practices influenced the elements of the Social Security Act. The passage of the Act on August 14, 1935 was a response to the growing problem of economic insecurity

within the United States. The Act does not represent the perfect conclusion to the struggle to obtain greater security. Based upon this research it has been determined that there will always be a need to update and improve the present programs in all areas. In order to update some of the present programs the following recommendations are necessary:

- (A) The United States need to adopt a program such as the proposed Health Security Program.
- (B) A provision or program need to be established to provide benefits for the disabled worker during his first six months of impairment.
- (C) The amount of money that a beneficiary can earn while receiving social security benefits need to be increased.
- (D) An additional twelve months (18-23) need to be added to students benefits because as the years go by colleges and universities curriculum become more complex.
- (E) A system should be adopted that would automatically increase benefit payments as the cost of living increase.

Although there may be a variety of programs that need revisions Social Security is one of the major issues that will be around for a very long time.

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