

# *O.A.S.I.—A Proper Government Function?*

by SELIM N. TIDEMAN

**M**ANY people who oppose our Social Security System as represented by Old-Age and Survivors Insurance, regarding it as a step in the direction of socialism, may not have analyzed its social and economic elements. It should, of course, be collected in a simpler manner, saving tremendous costs of accounting to the taxpayer, but the deductions and contributions required under it are only another tax which, like wages, rent, interest, and depreciation is added to the cost of production and prices. The worker sees in his net pay check the amount of his wages. He pays the tax when he and his wife go to market—and all the bookkeeping costs as well.

The popular theory is that wealth is being accumulated for the insured during the potential 45 years between age 20 and 45, to be enjoyed after retirement. The proceeds of the tax are invested in government bonds. We all know that these are not wealth. The money is used to reduce the national debt. This may be good but it is not an announced objective.

The O.A.S.I. system is a social contract, socially imposed and guaranteed, between generations, under which the younger generations are required to work a little longer or more productively to produce the goods required to support, or aid in the support of, the older generation. Consumable wealth cannot survive generations and remain usable. Older people will either have to live on their own production or on that of their younger contemporaries. O.A.S.I. is a means of securing a reasonable supply and fair distribution of that small part of the product of our industrial organization required to keep old people in comfort and give

young people a sense of security for their old age.

Based on current figures of working force and earning power it would require 30 minutes out of each eight hour day of useful employment to produce and distribute goods to a current value of \$1,200 a year for each of the 15 million persons over age 65. This is based on national income of \$360 billion, 77 per cent<sup>1</sup> of which is wages, salary and selfemployment proceeds. Of the 77 per cent, 6.5 per cent would meet my hypothetical requirement of \$18 billion.

But granting an economic system that will give everyone the necessary earning power as well as the right and willingness to save, why not let each individual provide for his own old age?

He should begin by anticipating 20 years of survival after 65. The principal required to produce \$1,200 yearly at four per cent interest, subject to exhaustion at the end, is \$16,300. Fifteen million people having these savings, partly in accumulation and partly subject to spending, would jointly possess \$244.5 billion. These savings might take the form of ownership of all the stocks on the New York Stock Exchange or all the rental housing in the United States, but more likely they would represent mainly, insurance and other forms constituting debt. Debt produces either inflation or bankruptcy. The present national debt structure is approximately \$700 billion<sup>2</sup> and our money managers are carefully seeking a path between the afore-mentioned alternatives. Debt is popular because interest paid is deductible in the income tax statement, but the creditor can convert debt into money by simply

taking it to the bank. Excess of money and credits produce inflation.

Forty five years ago wages were about one-fifth and prices perhaps one-fourth of what they are today, the increase having taken place in spite of 10 years of deflation and bankruptcies. This record will be surpassed in the next 45 years. The only possible provision for security in old age, therefore, lies in a sharing of the contemporary product between the old and the young—in other words, a social contract between generations.

The cost of all private pension plans, whether for the benefit of corporation executives running \$100,000 a year or plans forced by labor unions on their employers, all add to cost of production and prices, and when a man of perhaps 75, goes to market, he

has to contribute to the support of all the private pensioners through increased prices.

Any activity concerned with money and credits, these being social products, worthless unless backed up by the judge and the sheriff, are proper government functions. The government cannot guarantee the purchasing power of the dollar, but many, in an essential field provide for a fair exchange of values, though the years pass by. This requirement is currently being recognized by increasing the pensions. Furthermore the system is democratic because it is applicable to the rich as well as the poor.

1. Statistical Abstract of the United States, 1956, table 354.

2. Statistical Abstract of the United States, 1956, table 443 projected to 1959. The Abstract, in its nature, can never be up-to-date.



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