

*Cumini*REVISION OF THE OLD AGE SECURITY PROGRAM

Now that the Social Security Act is up for revision an effort should be made to devise a plan that would:

- (1) meet the widespread demand for national old age pensions.
- (2) permit differentials in monthly payments in different parts of the country.
- (3) preserve the contributory principle.
- (4) entail no additional appropriations nor taxes over those contemplated for 1940.
- (5) add to consumer buying power in 1940 and thereafter.

Such a plan would meet the major criticisms of the present system, would prevent the threatened deficiency in consumer buying power in 1940, and yet would cost no more than the present plan. The five points listed above could be met in the following ways:

1. A Minimum National Pension

Provide a basic minimum for all persons over sixty-five provided their own income from work or property, added to their pension, does not exceed a certain amount. The basic minimum might be \$15 per month for single persons and \$25 for couples. In some states, old-age pensions for the indigent do not average more than \$4 per person. Under the proposed federal pension plan, in 1940 some six million old persons would be benefitted by federal aid to the extent of approximately one billion dollars as contrasted with some 1,800,000 persons who would benefit by federal aid to the extent of \$250 million if the present old-age assistance system is continued.

2. Regional Differentials.

Over and above the basic national minimum, provide for matching State contributions dollar for dollar up to \$5 additional for single persons and \$7.50 for couples. In the wealthier States this would permit pensions of at least \$25 and \$40 per month, the maximum Federal contribution being \$20 and \$32.50.

3. The Contributory Principle.

Persons becoming sixty-five after January 1, 1940 who have paid payroll taxes for requisite periods and in requisite amounts, will remain eligible for old age benefits under the present contributory system, unless being also eligible for pensions, they elect to take the latter. Permit self-employed (including farmers) to qualify for old age benefits under the contributory system by paying old age insurance premiums on a voluntary basis.

4. No Additional Appropriations or Taxes over Those Scheduled for 1940.

This can be accomplished by making all old age payments out of the Old Age Reserve Fund and making all appropriations for old age security to that Fund. There will be available in 1940 over \$900 million in payroll taxes, plus a \$250 million appropriation for old age assistance. It is estimated that the combined cost to the federal government of the pensions and the old age benefits during 1940 will not exceed \$1,150,000,000, and that in addition the operation of the proposed plan should result in some savings on work relief.

5. Add to Consumer Buying Power.

The combined old age insurance and assistance programs, under amendments proposed by the Social Security Board, will result in a probable net deduction from buying power of \$500 million in 1940. The present plan will add some \$200 million net, or a difference of some \$700 million.

The plan, of which the above is a skeleton outline, appears to be both administratively and politically feasible.