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BOOK REVIEW

Robert M. Ball, *Social Security—Today and Tomorrow*, New York: Columbia University Press, 1978, pp. 528. $14.95.

by Robert J. Myers

Robert M. Ball (Commissioner of Social Security until 1973) writes on his philosophical views on Social Security. The book is entirely in the form of questions and answers about the present program and possible changes thereof, and does not give insights as to the inner workings of the government while the program was being developed.

The 16 chapters seek to explain what Social Security is, the new law, the financing, the benefits, the types of employment covered, the benefit amounts, the retirement test, and several subsidiary topics. These latter include whether Social Security is insurance; whether women and minority groups are treated fairly; whether Social Security is welfare; and its inter-relationship with private pensions. The final chapter gives 31 propositions of the author as to how the program should be considered and how it should be changed.

Those who have a rather thorough knowledge of Social Security will find the discussion far too wordy. They can, however, get a good idea of the author's views by reading only the recommendations at the end of each chapter, and especially the last chapter.

On the benefits side, Mr. Ball has many proposals to liberalize the program, although in a few instances he proposes some restrictions. Perhaps his major recommendation in the benefit area is an increase of 12½% in the primary benefits, accompanied by a reduction in spouse's benefits from 50% to 33⅓% of the PIA. The benefit for a couple thus remains at the same rate as at present. An interesting, although minor, proposal is to increase benefits by 10% upon attainment of age 85. The rationale is that the very oldest people develop additional needs for care.

As to the maximum taxable and creditable earnings base, Mr. Ball is somewhat ambivalent in his views. In some places, he expresses the view that the presently-scheduled employee bases are quite proper and produce reasonable benefits for higher-paid workers, although elsewhere the belief is stated that the 1977 Act went somewhat too far in this direction. He is quite clear in his strong belief that such base should be eliminated for the employer tax.

Mr. Ball recommends a number of other liberalizations, the most important being as follows:

(1) A one-year readjustment benefit for widows not otherwise eligible for benefits.

(2) An increase in the maximum lump-sum death payment from $255 to $1,000.

(3) An increase in the exempt amounts in the earnings test for those under age 65 to the amounts for persons aged 65 and over.

(4) Computation of the AIME ultimately over 30 years, rather than 35.

(5) A reduction in the waiting period for disability benefits from 5 full months to 3 months (in one place, 2 months).

(6) Liberalization of definition of disability at age 55 to an occupational one.

(7) Payment of full-rate benefits to disabled widows and widowers, and also benefits for disabled spouses.

(8) A catastrophic cap for HI and SMI.

(9) HI and SMI combined into one program, and the enrollee SMI premiums eliminated, with financing solely from payroll taxes and a government subsidy.

The OASDI changes would involve considerable cost — about 3% of payroll on an average long-range basis. Mr. Ball's solution is quite simply to introduce a government subsidy that would be gradually phased in and would eventually result in tri-partite financing. His views seem to be based on the naive assumption that the "Government is a separate entity unto itself and has its own money."

As to private pension plans, Mr. Ball expresses strong support for them, but his proposals would certain lead to their decline in importance in providing economic security for the nation.

In a few instances, Mr. Ball proposes reductions in benefits. He suggests that the present restriction on dual benefits when Workers' Compensation is involved should be extended to other programs involving payment of benefits for disability. He also believes that 50% of OASDI benefits should be subject to income tax.

It is rather surprising in view of th author's long-time experience that the book contains a number of significant factual errors. For example, it is stated that, from 1968 through 1977, the level of OASDI benefits rose by 130%, and prices rose by 75%, so that the real value of benefits increased by 55%. The correct method of obtaining the real increase is, of course, not by subtracting the percentages, but rather by dividing 230 by 175, yielding the correct increase of 31%. Moreover, the method of obtaining the two increases is inconsistent, because the benefit increase includes the one for February 1968. If proper comparison is made, the changes should be measured from February 1968 (after the increase) to June 1978 (after the increase that month). Then, the benefit increase was 105%, as against the CPI rise of 77%, or a real increase of 16%. It should be noted, moreover, that about 10 points of this increase were "recovered" by the 1977 Act.

The Social Security system is scheduled for both a general and a particular analysis in the very near future. Mr. Ball book can be helpful in this consideration but it is important to remember that the book represents but one opinion. There will be many others.

Note: A more detailed review will appear in the Transactions.

Social Security

Francisco R. Bayo and Joseph F. Faber, *Actual Replacement Rates for Disabled-Worker Beneficiaries*, Actuarial Note No. 94, Social Security Administration, Baltimore, Maryland, January 1978, pp. 14.

This note contains tabulations of actual replacement rates for disabled-worker beneficiaries, based on a sample of initial awards made in October 1976. Distributions of actual replacement rates for various measures of earnings prior to onset of disability are tabulated by age, sex, and benefit amount. A table of theoretical replacement rates assuming the provisions of the 1977 Social Security Amendments illustrates the effect on benefits to young disable workers.

Copies of this note may be obtained free of charge from the Office of the Actuary, Social Security Administration, Baltimore, Maryland 21235.