

Notes and Brief Reports

Trust Fund Operations in 1948

The unemployment trust fund is composed of 51 separate State accounts and the railroad unemployment insurance account; however, investments are made for the fund as a unit by the Secretary of the Treasury, and interest earned on the fund's investments is distributed quarterly among all accounts on the basis of the average daily balance of each account. For the year 1948 as a whole the fund showed a net acquisition of \$394 million of United States securities (table 1).

All sums collected under the Federal Insurance Contributions Act are appropriated to the old-age and survivors insurance trust fund as they are received by the Treasury. In addition to contributions of \$1,685 million received in 1948, \$4.0 million was transferred from the general fund to the old-age and survivors insurance trust fund to meet additional administrative and other costs of benefits to survivors of certain World War II veterans as provided under the Social Security Act Amendments of 1946.

The Secretary of the Treasury—the Managing Trustee of the fund—invests that part of contributions appropriated to the fund which, in his judgment, is not required to meet current expenditures for benefit payments and administrative expenses.

During the year ended December 31, 1948, the fund's net acquisitions amounted to \$1,287 million.

In addition to the old-age and survivors insurance trust fund and the unemployment trust fund, the Treasury manages 10 other social insurance and related trust funds (table 2). Interest rates on investments of these funds are higher than those for the two large social security funds, and all rates are determined administratively rather than by statute.

Investments

During the calendar year 1948 the two social security trust funds acquired a net total of \$1,681 million of Government securities (table 1). This was 3 percent less than the investments made during the preceding year but 55 percent more than the \$1,082 million invested in 1946.

Net investments by the unemployment trust fund during the 3 years ended December 31, 1946, 1947, and 1948, were \$56 million, \$538 million, and \$394 million respectively. The sums available for investment in a given period consist of that portion of the fund's receipts not needed to meet current expenditures. The relatively small net acquisition during 1946 reflects the effects of the reconversion period, with its lay-offs and shifts in employment.

In 1947, State deposits amounted to \$1,097 million, and withdrawals for

Table 2.—Size and average yield on investments of social insurance and related trust funds, as of June 30, 1948

Fund	Investments ¹ (in thousands)	Average yield ² (percent)
Old-age and survivors insurance trust fund.....	\$9,930,137	2.21
Unemployment trust fund....	8,297,000	2.16
National service life insurance fund.....	6,934,685	3.00
Civil-service retirement and disability fund.....	2,794,611	3.98
U. S. Government life insurance fund.....	1,402,413	3.50
Railroad retirement account.....	1,374,500	3.00
District of Columbia teachers' retirement fund.....	13,809	2.62
Canal Zone retirement and disability fund.....	13,127	3.98
Foreign Service retirement and disability fund.....	12,087	3.98
Alaska Railroad retirement and disability fund.....	3,070	4.00
Longshoremen's and harbor workers' compensation fund.....	402	2.54
District of Columbia workmen's compensation fund....	81	2.47

¹ Par value.

² Based on par value of securities.

Source: *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1948.*

benefits, to \$787 million. Operations during 1948 continued to reflect favorable economic conditions as in the preceding year. Deposits by States were \$989 million, and withdrawals for benefit payments were \$852 million. The decline in deposits was the result of lower contribution rates under experience-rating provisions, and the increase in withdrawals reflected an increase in compensable unemployment and in average benefits. Rhode Island's withdrawals from the fund included \$14 million and New Jersey's included \$50 million for State disability insurance programs.

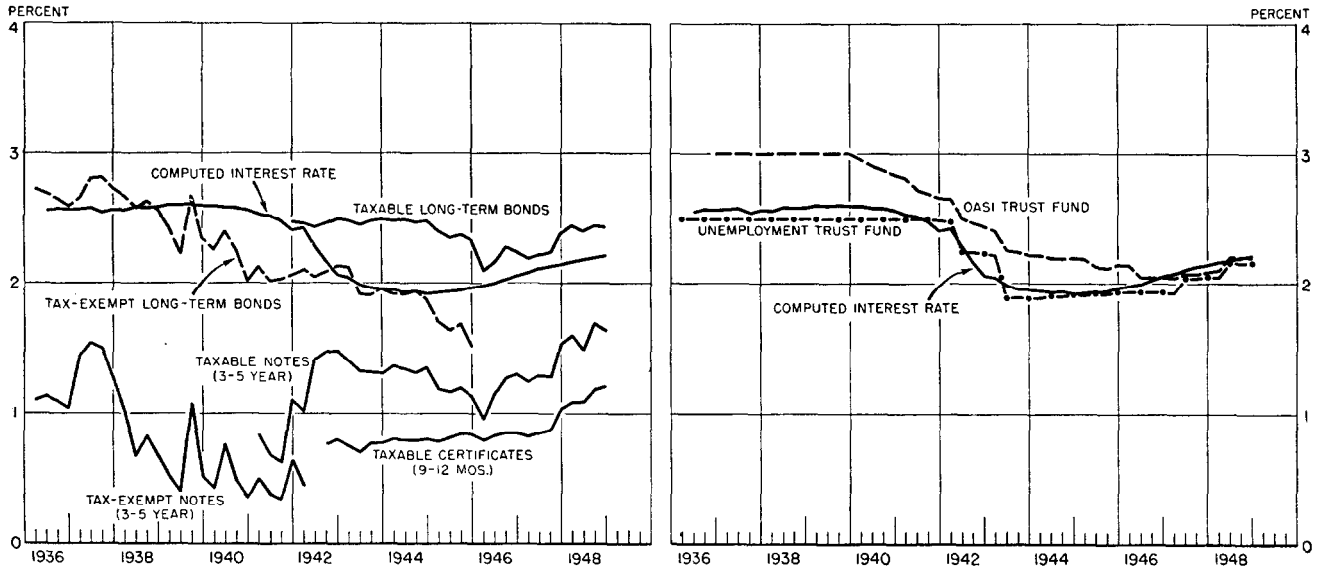
Table 1.—Changes in social security trust fund investments and the interest-bearing public debt, as of the end of December, 1945–48

[Amounts in millions]

Item	Investments at end of December—								Net acquisitions		
	1945		1946		1947		1948		Dec. 31, 1945, through Dec. 31, 1946	Dec. 31, 1946, through Dec. 31, 1947	Dec. 31, 1947, through Dec. 31, 1948
	Amount	Average interest rate (percent)	Amount	Average interest rate (percent)	Amount	Average interest rate (percent)	Amount	Average interest rate (percent)			
Total interest-bearing public debt.....	\$275,694	1.965	\$257,649	2.057	\$254,205	2.144	\$250,579	2.216	-\$18,044	-\$3,444	-\$3,626
Securities acquired by social security trust funds, total.....	14,561		15,643		17,371		19,052		+1,082	+1,728	+1,681
Old-age and survivors insurance trust fund.....	7,053	2.14	8,079	2.04	9,268	2.09	10,556	2.20	+1,026	+1,190	+1,287
Unemployment trust fund.....	7,508	1.93	7,564	1.94	8,102	2.05	8,496	2.16	+56	+538	+394
All other interest-bearing securities.....	261,133		242,006		236,834		231,527		-19,126	-5,172	-5,307

Source: *Daily Statement of the U. S. Treasury.*

Average yields on special groups of United States obligations, the computed rate of interest on the public debt, and yields on obligations acquired by two social insurance trust funds, 1936-48



The railroad unemployment insurance account in the unemployment trust fund declined during the calendar year 1948. Deposits were \$67 million as compared with \$126 million in 1947, a decrease of 47 percent. Deposits for the first 6 months of 1948 were \$67 million and for the last 6 months \$31,000. This decline was a result of the amendments of June 1948 to the Railroad Unemployment Insurance Act, which effectively reduced the current contribution rate of 3 percent to ½ of 1 percent retroactively to January 1, 1948, although, legally, contribution rates are scaled from ½ of 1 percent to 3 percent depending upon the size of the balance to the credit of the railroad unemployment insurance account on September 30 of any year. Credits taken by contributors during the last half of the year were \$2.4 million. Benefit payments increased by 10 percent from \$55 million in 1947 to \$60 million in 1948. Even though contributions dropped sharply and benefit payments increased slightly, the balance in the account increased by \$41 million to \$948 million by the end of 1948.

During 1948 the excess of receipts over expenditures permitted the net acquisition of \$394 million in Government securities and increased the total assets of the fund from \$8,124 million to \$8,520 million.

The old-age and survivors insur-

ance trust fund was much less affected by the economic shifts of the reconversion period than the unemployment trust fund. The relationship between receipts and expenditures shows minor fluctuations from year to year.

At the end of December 1948 the old-age and survivors insurance trust fund held United States securities amounting to \$10,556 million.

The public debt reached its peak in February 1946, when it amounted to \$279 billion. In March 1946 the Treasury started a debt retirement program, and by November 1947 the gross public debt had dropped to \$256 billion. A large proportion of the debt retired or maturing consisted of securities with high coupon rates of interest which were paid off or refunded into issues with lower rates. However, the rise in the rate on short-term issues, the higher accrued rate on savings bonds purchased during the war, and the net rise in securities issued to Government trust funds with relatively high interest earnings caused the average interest rate on the debt as a whole to rise almost continuously throughout 1948 (table 3).

On December 31, 1946, the computed average interest rate was 2.057 percent; by the end of December 1947 it was 2.144 percent, and by the end of 1948, 2.216 percent.

In November 1947 the Treasurer be-

gan purchasing Treasury bonds on the open market for the two social security trust funds. The bulk of these securities bear 2½-percent interest, and as a result of these operations the average interest rate on the old-age and survivors insurance trust

Table 3.—Average interest rate on social security trust fund investments and interest-bearing public debt at end of specified period, 1936-48

At end of—	Computed average interest rate (percent)		
	Interest-bearing public debt	Old-age and survivors insurance trust fund investments	Unemployment trust fund investments
1936.....	2.570		2.50
1937.....	2.568	3.00	2.50
1938.....	2.586	3.00	2.50
1939.....	2.598	3.00	2.50
1940.....	2.566	2.84	2.50
1941.....	2.409	2.66	2.50
1942.....	2.059	2.44	2.21
1943.....	1.956	2.26	1.89
1944.....	1.919	2.20	1.91
1945.....	1.965	2.14	1.93
1946.....	2.057	2.04	1.94
1947.....	2.144	2.09	2.05
1948			
January.....	2.155	2.09	2.05
February.....	2.170	2.10	2.05
March.....	2.168	2.10	2.05
April.....	2.174	2.10	2.05
May.....	2.174	2.10	2.05
June.....	2.182	2.21	2.16
July.....	2.197	2.21	2.16
August.....	2.199	2.21	2.16
September.....	2.200	2.21	2.16
October.....	2.212	2.21	2.16
November.....	2.214	2.21	2.16
December.....	2.216	2.20	2.16

Table 4.—Investments of social security trust funds and the interest-bearing public debt at end of specified period, 1936-48

[Amounts in millions]

At end of—	Interest-bearing public debt	Social security trust fund investments			
		Total amount	Percent of public debt	Old-age and survivors insurance trust fund	Unemployment trust fund
1936	\$33,699	\$64	0.2		\$64
1937	36,715	1,138	3.1	\$513	625
1938	38,899	1,926	5.0	862	1,064
1939	41,445	2,944	7.1	1,435	1,509
1940	44,458	3,962	8.9	2,017	1,945
1941	57,451	5,468	9.5	2,736	2,732
1942	107,308	7,342	6.8	3,655	3,687
1943	164,508	9,874	6.0	4,779	5,095
1944	228,891	12,546	5.5	5,967	6,579
1945	275,694	14,562	5.3	7,054	7,508
1946	257,649	15,643	6.1	8,079	7,564
1947	254,205	17,371	6.8	9,268	8,102
1948					
January	253,958	17,401	6.9	9,268	8,132
February	252,100	17,651	7.0	9,425	8,225
March	250,634	17,720	7.1	9,530	8,190
April	249,920	17,646	7.1	9,506	8,140
May	249,958	17,771	7.1	9,506	8,265
June	250,063	18,235	7.3	9,937	8,298
July	251,168	18,185	7.2	9,917	8,268
August	250,875	18,306	7.3	9,917	8,389
September	250,518	18,631	7.4	10,282	8,349
October	250,300	18,570	7.4	10,256	8,314
November	250,391	18,737	7.5	10,256	8,481
December	250,579	19,052	7.6	10,556	8,496

fund had increased to 2.09 percent by the end of the year and to 2.10 percent by the end of April 1948, when open-market purchases ceased. The unemployment trust fund was affected less by the open-market purchases because of a much smaller amount of net acquisitions during the period; however, the computed average interest rate was 1.94 percent as of December 31, 1946, increasing to 2.05 percent and 2.16 percent by the end of the years 1947 and 1948 respectively (table 3).

By the end of 1948 the old-age and survivors insurance trust fund held \$8,328 million of 2½-percent special certificates of indebtedness, \$4 million of 2¼-percent Treasury bonds, and \$2,224 million of 2½-percent Treasury bonds. As of the same date the unemployment trust fund held \$7,698 million of 2½-percent special certificates of indebtedness, \$4 million of 2¼-percent Treasury bonds, and \$794 million of 2½-percent Treasury bonds.

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Recent Publications in the Field of Social Security*

Social Security Administration

CHILDREN'S BUREAU. *Your Child From 6 to 12.* Washington: U. S. Govt. Print. Off., 1949. 141 pp. 20 cents.

A guide for parents that explains the behavior of children, discusses their physical and mental limitations, and suggests how their abilities can be best developed as they grow older. Limited free distribution; apply to the Children's Bureau, Social Security Administration, Washington, D. C.

ROSS, MARY. *Social Security in the United States.* Washington: U. S. Govt. Print. Off., 1948. 72 pp. 20 cents.

Traces the origin and development of social security in the United States and describes in detail the various programs and services under the Social Security Act. Includes a chronology of significant events in social security and related fields, and a selected bibliography.

General

ADVISORY COUNCIL ON SOCIAL SECURITY. *Recommendations for Social Security Legislation. A Report to the Senate Committee on Finance from the Advisory Council on Social Security.* Washington: U. S. Govt. Print. Off., 1949. (S. Doc. 208, 80th Cong., 2d sess.) 236 pp. 40 cents.

A compilation of the Council's four reports—on old-age and survivors insurance, permanent and total disability insurance, public assistance, and unemployment insurance—which appeared in 1948 as separate Senate documents.

ALTMeyer, ARTHUR J. "Social Security: 1948 Developments and 1949 Prospects." *Social Work Journal*, New York, Vol. 30, Jan. 1949, pp. 4-7. \$2 a year.

*Prepared in the Library, Federal Security Agency. The inclusion of prices of publications in this list is intended as a service to the reader, but orders must be directed to publishers or booksellers and not to the Social Security Administration or the Federal Security Agency. Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

INTER-AMERICAN COMMITTEE ON SOCIAL SECURITY. *Preliminary Study of a Common Plan of Work for the Statistical Services of Social Insurance on the American Continent.* Montreal: International Labor Office. Nov. 1948. (Bulletin No. 10.) 48 pp.

Points out problems to be encountered in compiling social insurance statistics. Includes a paper on The Child and Social Security, by Dr. Manuel Salcedo, and Recent Developments in the Field of Social Security in America.

INTERNATIONAL LABOR CONFERENCE. *Thirtieth Session, Geneva, 1947: Record of Proceedings.* Geneva: International Labor Office, 1948. 676 pp. \$5.

MCCABE, DAVID ALOYSIUS, and LESTER, RICHARD ALLEN. *Labor and Social Organization.* Boston: D. C. Heath and Company, 1948. Rev. ed. (Economics and Social Institutions, Vol. 6.) 373 pp. \$2.75.

Considers the problem of economic insecurity, compensation for industrial accidents and unemployment, security for old age, and social security issues.

UNIVERSITY OF CHICAGO ROUND TABLE. *Should Congress Increase Social Security Benefits?* Chicago: The University, 1948. 29 pp. (No. 532.) 10 cents.

A radio discussion by David Dillman, Alton Linford, and S. H. Nerlove. Includes a special supplement on social security in America and also the text of President Truman's message to Congress on May 24, 1948, asking for an expanded social security program.

WILLIAMSON, WILLIAM RULON. *Employee Insurance Plans—Assisting Employees to Meet Personal Responsibilities Through Group Insurance, Pension Plans, Etc.* New York: Funk & Wagnalls Company, 1948. 98 pp. (Section III, Book 5, Reading Course in Executive Technique.) \$6 for the section; books not sold separately.

"World Boom in Social Security." *U. S. News & World Report*, Washington, Vol. 26, Feb. 18, 1949, pp. 54-56. 15 cents.

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Table 2.—Contributions and taxes under selected social insurance and related programs, by specified period, 1946-49

[In thousands]

Period	Retirement, disability, and survivors insurance			Unemployment insurance		
	Federal insurance contributions ¹	Federal civil-service contributions ²	Taxes on carriers and their employes	State unemployment contributions ³	Federal unemployment taxes ⁴	Railroad unemployment insurance contributions
Fiscal year:						
1946-47	\$1,459,492	\$481,448	\$380,057	\$1,001,504	\$184,823	\$141,750
1947-48	1,616,162	482,585	557,061	1,007,087	207,919	145,148
7 months ended:						
January 1947	750,595	372,816	171,542	476,231	40,114	72,118
January 1948	841,171	381,165	276,875	640,264	39,040	70,772
January 1949	912,121	407,396	286,914	634,655	44,794	4,999
1948						
January	35,496	20,084	2,539	77,515	12,906	33
February	277,662	18,579	6,499	109,583	138,448	1,212
March	30,415	18,978	132,618	6,864	12,912	36,401
April	74,324	19,256	5,663	112,188	2,921	76
May	376,000	19,998	11,598	132,475	13,417	1,289
June	16,590	24,607	123,808	5,713	1,181	35,399
July	63,057	244,676	2,378	112,097	1,586	5
August	379,573	24,331	17,161	152,242	12,924	6
September	7,968	26,779	121,632	10,978	242	12
October	58,804	25,904	4,649	95,185	1,683	3
November	357,617	29,454	14,050	176,088	12,336	2,407
December	7,062	27,763	125,842	8,707	1,531	3
1949						
January	38,030	28,480	1,201	79,358	14,492	2,564

¹ Represents contributions of employees and employers in employments covered by old-age and survivors insurance.

² Represents employee and Government contributions to the civil-service, Canal Zone, and Alaska Railroad retirement and disability funds; in recent years Government contributions are made in 1 month for the entire fiscal year.

³ Represents deposits in State clearing accounts of contributions plus penalties and interest collected from employers and, in 2 States, contributions from employees; excludes contributions collected for deposit in State sickness insurance funds. Data reported by State agencies; corrected to Mar. 1, 1949.

⁴ Represents taxes paid by employers under the Federal Unemployment Tax Act.

⁵ Represents July contributions of \$17.3 million from employees, and contributions for fiscal year 1948-49 of \$225.4 million from the Federal Government and \$2.0 million from the District of Columbia for certain District government employees.

Source: *Daily Statement of the U. S. Treasury*, unless otherwise noted.

TRUST FUNDS

(Continued from page 15)

Interest Rates

The original Social Security Act stipulated that investments of the old-age reserve account (superseded in 1940 by the old-age and survivors insurance trust fund) must earn at least 3 percent. The 1939 amendments, however, deleted all reference to a minimum yield except on "special" obligations issued to the fund, which are required to bear the average rate on the interest-bearing public debt, computed as of the end of the month next preceding the date of issue. If this average is not a multiple of one-eighth of 1 percent, the rate of interest is to be the multiple

next lower than the average interest rate.

The interest provisions for the unemployment trust fund investments have remained unchanged since the establishment of the fund in 1936. The rates on "special" obligations issued to it are determined in the same manner as those for the old-age and survivors insurance trust fund, and investments in other issues must bear rates at least equal to those of the special obligations.

At the close of 1948 the two funds owned United States securities totaling \$19,052 million, of which \$16,026 million, or 84 percent, was in special obligations. The total amount of all types of special issues outstanding was \$31,714 million, of which the two social security trust funds held 51

Table 3.—Federal appropriations and expenditures under Social Security Administration programs, by specified period, 1947-49

[In thousands]

Item	Fiscal year 1947-48		Fiscal year 1948-49	
	Appropriations ¹	Expenditures through January 1948 ²	Appropriations ¹	Expenditures through January 1949 ²
Total	\$1,438,777	\$809,941	\$1,595,340	\$1,018,242
Administrative expenses	42,476	31,790	45,420	31,772
Federal Security Agency, Social Security Administration ³	42,376	24,508	45,318	24,023
Department of Commerce, Bureau of the Census	100	54	102	71
Department of the Treasury ⁴	(⁵)	7,228	(⁵)	7,678
Grants to States	881,455	496,106	949,000	647,759
Unemployment insurance and employment service administration	130,455	⁶ 37,907	130,000	96,549
Old-age assistance	726,000	⁷ 345,723	797,000	411,221
Aid to the blind		10,246		11,511
Aid to dependent children		86,749		111,884
Maternal and child health services	11,000	6,624	11,000	8,217
Services for crippled children	7,500	4,577	7,500	5,684
Child welfare services	3,500	2,532	3,500	2,631
Emergency maternity and infant care	⁷ 3,000	1,748		60
Benefit payments, old-age and survivors insurance	⁸ 511,676	⁸ 280,600	⁸ 599,000	⁸ 337,440
Reconversion unemployment benefits for seamen	3,170	1,445	1,920	1,271

¹ Excludes unexpended balance of appropriations for preceding fiscal year.

² Includes expenditures from unexpended balance of appropriations for preceding fiscal year.

³ 1947-48 data exclude expenses for administering U. S. Employment Service; the Service became a part of the Social Security Administration on July 1, 1948.

⁴ Amounts expended by the Treasury in administering title II of the Social Security Act and the Federal Insurance Contributions Act, reimbursed from the old-age and survivors insurance trust fund to the general fund of the Treasury.

⁵ Not available because not separated from appropriations for other purposes.

⁶ Excludes grants for employment service administration.

⁷ Amount appropriated for 1947-48 available until June 30, 1949.

⁸ Actual payments from the old-age and survivors insurance trust fund.

⁹ Estimated expenditures as shown in 1948-49 budget.

Source: Federal appropriation acts and 1948-49 budget (appropriations); *Daily Statement of the U. S. Treasury* and reports from administrative agencies (expenditures).

percent. Other trust funds held most of the remainder. Among them, the national service life insurance fund held 22 percent; the civil-service retirement and disability fund, 10 percent; and the Government life insurance fund, 4 percent.

The securities held by the two trust funds at the end of December 1948 comprised 7.6 percent of the total interest-bearing public debt (\$250.6 billion) as compared with 6.8 percent at the end of December 1947 and 6.1 percent as of December 31, 1946. The percentage increases were due to net acquisitions of almost \$2 billion in 1947 and 1948—in contrast to more than \$1 billion in 1946—and the reduction in the interest-bearing public debt (table 4).