

# Notes and Brief Reports

## Social Security and Economic and Social Development: Seminar Report\*

During 1967, the University of Wisconsin, in cooperation with the Social Security Administration, organized a seminar on social security policy as it relates to economic and social development. The seminar was held in Madison, Wisconsin, in November 1967, under the auspices of the Agency for International Development. Participants included social security officials from Brazil, Guatemala, Israel, Panama, Peru, South Viet-Nam, Venezuela, and Zambia.

Professor Everett Kassalow, of the University of Wisconsin's Department of Economics, planned and conducted the seminar, and he was assisted by specialists from the Social Security Administration. Experts in social security and development planning from the United Nations and the International Labor Office and from several American and European universities were invited to prepare papers and present them at the seminar. The group included:

Professor Brian Abel-Smith  
London School of Economics  
London, England

Jan J. Bauwmeesters and Jan Tinbergen  
Netherlands School of Economics  
Rotterdam, Netherlands

Professor Sanford Cohen  
Department of Economics  
University of New Mexico

Dr. Paul Fisher, Chief, International Staff  
Office of Research and Statistics  
Social Security Administration

Professor W. Galenson  
Department of Economics  
School for Industrial and Labor Relations  
Cornell University

Professor Benjamin Higgins  
Department of Economics  
McGill University

Professor Robert J. Lampman  
Department of Economics  
University of Wisconsin

Dr. Felix Paukert  
Economic Division  
International Labor Office  
Geneva, Switzerland

\*Prepared by Thomas C. Blaisdell, Jr., Consultant, International Staff, Office of Research and Statistics.

Professor G. Rimlinger  
Chairman, Department of Economics  
Rice University  
Professor George F. Rohrlich  
Department of Political Economy and Social  
Insurance  
Temple University  
Dr. Hans Singer  
Director, Policies and Programming Division  
Industrial Development Organization  
United Nations  
Mr. Marshall Wolfe  
Chairman, Social Affairs Division  
Economic Commission for Latin America

The papers presented to the participants for critical discussion followed several different lines of approach. The first involved basic ideas in planning a system of national economic development. The second raised questions concerning the validity and priority of social security programs in encouraging development. The third analyzed the effects of various social security programs on the distribution of income in developing countries compared with developed economies. In addition, the experience of participants in the planning and development of social security programs in South American, Asian, African, and European countries was used to illustrate and test some of the assumptions of the descriptive and theoretical analysis.

### Social Security and Development Planning

The basic pattern for development planning was assumed to be economic in character. Under this approach such concepts as gross national product, investment, labor cost, government and nongovernment control of economic activity were discussed. The importance of noneconomic factors was noted. Thus, education and family security were considered not only as objectives in themselves but also as part of the essential structure of a productive society. The planning problem was seen as one of deciding, with respect to a number of interrelated factors, how much would be needed to produce the highest rate of economic development. Numerous papers reverted to this topic.

Professor Higgins developed the principal format for considering the factors. Professor Lampman used the experience of the Philippines as an illustration in attempting to weight various

methods of controlling investment funds arising from old-age and retirement contributions. Professor Brian Abel-Smith applied the same logic to expenditures for purposes of improving health and sickness care.

### **Standards of Judgment for Social Security in Development Programs**

Dr. Singer introduced a series of noneconomic or "social" factors that need to be considered in developing a socially desirable program. He emphasized that he was introducing a new series of "values" that must be considered along with those measured in monetary terms in a market. Thus, the extent of adequate nutrition is one measure of value without regard to its "market value." Education has certain values of its own, in addition to the values that make it a "good investment." Good health has value in its own right, but its desirability is hard to measure in money. Adequate and rewarding leisure is another valuable element in life, and what seems like laziness in one person may be the most enriching experience of another's life. Access to "nature" is an important opportunity to one person, a bore to someone else. Agreements on these and other similar measurements should be an essential part of development planning as much as the purely economic values.

It was clear, however, that the ability to convert economic data into measurable forms, monetary units, has a great importance in creating a method of interchangeability between various factors of productivity. An attempt was made to measure the economic contribution of social security systems.

Two papers (one by Professor Galenson and one by Professor Bauwmeesters and Professor Tinbergen) used correlation techniques to associate social security expenditures with development. From these data it seemed clear that there is a positive relationship between social security expenditures and the growth rate of the national product. It was recognized, however, that this method could not prove that the social security systems helped create a more productive society. They may do so, but it may also be that their existence is made possible by a more productive society. At best, one can say that the two seem

to go together. However, there are reasons for thinking that there is a positive element of productivity in some of the social security systems.

### **Income Redistribution and Social Security**

Dr. Paukert, in reviewing the data from many countries with social security systems in varying degrees of development, noted a number of significant phenomena. First, it seems clear that the countries with only a limited degree of economic development have limited social security systems—a situation that accentuates the distribution of income to already well-paid employees. This observation is borne out by the fact most of these countries have civil service systems that provide old-age pensions. Often, a few other groups of workers are included in the system—with the extensions usually limited to industrialized parts of the economy to which a system of retirement payments can easily be adjusted.

As one goes up the scale of national economic development measured in per capita annual income, it becomes apparent, however, that under most systems an income redistribution takes place in which the least well-off benefit by the distribution of income from those who are better off. This tendency goes up the scale to the group of most highly developed countries, where the tendency levels off. Thus, though all participants in a system contribute something, those who contribute least do tend to receive more in benefits in proportion to their contributions than do those who contribute more.

### **Experience of Developing Societies**

Professor Rimlinger brought the experience of Germany, the United Kingdom, and the United States to the seminar. The first two countries have had long experience with privately developed systems of sickness insurance and more limited experience with disability and old-age protection when they were made compulsory by government. Compensation for industrial accidents had been developed in both as well as in the United States. Now all three countries have highly developed social security systems. Most of the sickness protection had been initiated by

groups of working people who organized voluntary associations. The systems were a phenomenon associated with urbanization and industrialization. Accident compensation was associated with employers, for example. When these systems became an essential part of modern industrial society, however, it was the result of broadly based political movements. Such a foundation is essential if the powers of the state are to be used to compel people to participate. In the United States, adoption of a national system was delayed because of political competition between States. It took the shock of a major depression to emphasize the common interest and bring about a political demand for the present system. The experience seemed to indicate that, as far as the Western World is concerned, the development of comprehensive systems has been associated with highly developed systems of industrial production. The application to agricultural workers seemed to come about only as they too became primarily "industrial" workers for wages rather than family farmers.

Dr. Wolfe's paper indicated that in Latin American countries, although the social security systems are highly developed, the extent of industrialization has limited the degree of coverage. Multiple systems have made administration extremely uneven, and the systems have suffered from economic and political instability. In many countries the problem of adjustment to monetary inflation has been almost impossible to overcome and rapidly changing industrial conditions have

also been handicaps. In spite of wide popular acceptance and approval, experience seems to indicate that the social security systems have not been able to take full advantage of their potential as contributors to development.

The papers by Professor Cohen, Professor Lampman, and Professor Rohrlich emphasized the suitability of simple systems in countries with extremely limited industrial development. Such forms seem to be suited to countries in which government organization is the dominant form of large-scale organization. Government pension systems and pensions for industrial employees can provide a source of capital for government investment in infrastructure as well as private industrial undertakings. Professor Cohen noted particularly the tendency for large-scale private developments to include social benefits such as health care, retirement pensions, dismissal wages, and educational opportunities for their employees.

The delegates each presented a discussion of the problems associated with the social security system of his own country. These presentations made possible a practicality of discussion that would otherwise have been lacking. It was particularly worth noting that administrative, technical, and political problems often seemed to be the decisive influences rather than those forces regarded as peculiarly economic.

The seminar papers will be published by the Office of Research and Statistics of the Social Security Administration during the spring of 1968.