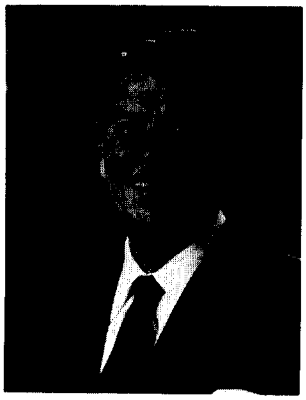


THE WHITE HOUSE
WASHINGTON

April 23, 1985

On August 14, 1985, our Nation will mark the 50th anniversary of the signing of the Social Security Act by President Franklin D. Roosevelt. Social Security protects millions of workers and their loved ones against the loss of income they would otherwise face in their old age, or upon the disability or death of the family breadwinner. It provides a solid foundation of economic security upon which workers can add private pensions, savings and insurance to assure their financial well-being in retirement, or when they are unable to work. Through Medicare, it also helps elderly and disabled individuals to meet the costs of medical care.

Almost every American now benefits from the Social Security program in some way. More than 120 million people are building their future financial security through work in jobs covered by the system and approximately 37 million are receiving monthly cash benefits. Nearly all Americans reaching age 65 today are eligible for Social Security benefits. Ninety-five percent of young children and their surviving parents are eligible for benefits should the family breadwinner die and four out of five workers are protected in the event they should become disabled.

Throughout the years, Social Security has proven to be one of the most successful and popular programs ever established by the Federal Government. With the enactment of the Social Security Amendments of 1983, the Social Security system's financial soundness has been assured, both in this decade and for many decades to come. Our young people can feel secure in the knowledge that Social Security will be there to assist them in providing for their families just as it has done since the first benefits were paid in 1940.

I urge all Americans to reflect on the significance of the Social Security Act signed 50 years ago and to celebrate its accomplishments.

Ronald Reagan

MARGARET M. HECKLER

Secretary
Department of Health and Human Services

When historians write a retrospective of the 20th century, Social Security—which is observing its 50th anniversary—will undoubtedly be identified as the most significant piece of domestic legislation enacted during that 100-year period. Born in adversity and tempered by crisis, Social Security—amended on numerous occasions over the years—has done more to lift and keep Americans out of poverty than any other governmental initiative.

When President Roosevelt signed the bill in 1935, millions of Americans were out of work; much of the country's industrial capacity was closed down—financial institutions were in disarray.

The new law authorized old-age insurance benefits for workers in commerce and industry to be financed by a payroll tax on workers and employers. Over the years since the program began, coverage was extended: to dependents of retired workers and survivors (1939), to farm and household workers, to the self-employed, to members of the Armed Forces (1950). Disability insurance was provided (1956) and *Medicare* enacted (1965).

The impact of the Social Security program is pervasive, almost every man, woman, and child in the United States is touched by it—directly or indirectly. There is hardly a family in America which does not have one or more members receiving benefits, usually an aging parent or grandparent.

Today, 50 years after its enactment, Social Security coverage is virtually universal. *Ninty-five percent* of all jobs are covered. Benefits are provided for:

- ○ disabled insured workers at any age;
- ○ insured workers at 62 (benefits taken before 65 are reduced);
- ○ spouses of retired or disabled workers;
- ○ children of retired, disabled or deceased workers; and
- ○ surviving spouses of deceased workers.

It should be noted that entitlement to Social Security benefits is guaranteed by statutory right, and benefits are payable without regard to non-work income or resources. Coverage is *not* a matter of administrative discretion; it is mandatory under the law. And benefits are automatically adjusted to keep pace with inflation.

But the benefits constitute a floor of protection and cannot be expected to do the entire job of income support. Some plan of supplementation should be undertaken, such as private pensions, investments, insurance, and savings.

The Social Security program at the half-century mark is fiscally sound. But that has not always been the case. In 1981, the Reagan Administration inherited a Social Security system that faced bankruptcy. Four years later, I am happy to say, the most recent Social Security Trustees Report indicates that OASDI benefits will be paid, *on time*, until well into the next century even under pessimistic economic assumptions. Last January, in fact, the Old Age and Survivors Insurance Trust Fund paid an installment of $4.4 billion on loans from the health insurance and disability trust funds.

Just as important, the administration of the program is stronger, more responsive and more flexible than ever before. In 1986, Social Security will pay benefits to more Americans than ever—*37 million*—while technology and management improvements will be able to reduce the work force by more than 1,600 full-time equivalent positions. That is testimony to good management, wise planning and a concern for taxpayer dollars.

Salvation has also been enhanced by another massive accomplishment—*reducing the growth of medical inflation*. For the first time in years, the increase in hospital costs—and health costs in general—has fallen. One of the major contributing factors in this staunching of the inflationary tide comes as the result of the prospective payment system which we at Health and Human Services have fairly but vigorously instituted and implemented *without* sacrificing quality care and superior treatment.

In Social Security's *next* 50 years there will be new challenges. Because of scientific breakthroughs, medical miracles and changes in lifestyles, the American people are living longer. There are more—there will be even more—fourth generation families. Social Security has been built on the bedrocks of compassion, prudence, and equity. They will remain as the bulwarks of the system as tomorrows beneficiaries enjoy the blessing that is the Social Security System.

MARTHA A. McSTEEN

Acting Commissioner
Social Security Administration

"Social Security—Reflections and Projects"

The 19th century philosopher Hegel once wrote that "What experience and history teach is this—that people and governments never have learned anything from history, or acted on principles deduced from it." He obviously wrote before the advent of Social Security. When I look back over the 50 years of Social Security in the United States and review how our Nation took the lessons of the past and adapted them to the future, creating the most successful social programs in our Nation's history, I know that, at least in this instance, there was an exception to Hegel's philosophy. The people, the principles, the wisdom and foresight of many in government that created Social Security and brought it from its infancy in 1935 to the mature and successful set of programs that is Social Security in 1985 used the lessons of history and experience wisely, with compassion and with imagination. We must do no less for the future.

Although I do not have direct experience of the tremendous accomplishments of the 1930's, it was then that the original Social Security Act was designed, the fundamental principles that have guided the program ever since were conceived, and many of the innovative administrative approaches needed to run a national program of earnings-related social insurance were first developed. By the time I came on the scene in 1947, we were paying monthly benefits to almost 2 million people at an annual rate of nearly $500 million. A far cry from the very early days, when I'm told we once made a 17 cent lump-sum retirement payment. And how much further from today, when OASDI benefits are going to 37 million people at a rate of $182 billion a year.

Yet, as far removed as today's Social Security statistics may seem from those of 1947, let alone still earlier times, there are certain fundamental principles that form a direct linkage between the program as it was then and the program as it exists today. They reflect, I believe, our ability to learn from history and experience, to see what worked and did not work, and to couple this pragmatic knowledge with a visionary sense of what the country needed in order to build the most effective and important social programs in the United States. To my mind, the past—and indeed the future—success of Social Security is rooted in these four basic principles.

- The concept of "earned right." Perhaps the most fundamental source of public support for Social Security is the idea that retirement and survivor benefits (and, latterly, disability benefits) belong to eligible individuals as a matter of right, based on work in covered employment.
- The floor of protection concept. Social Security is intended to provide for only the most basic income needs of retired or disabled workers, and survivors of deceased workers. It replaces only a portion of income lost due to retirement, disability or death, and is weighted toward more fully replacing the income of individuals with lower earnings during their working years. In this way it provides a floor or foundation onto which many beneficiaries may build by adding income from private sources such as individual savings and private pensions.
- Continual adjustment to the needs of our society. Throughout their history, the Social Security programs have been dynamic, altering to meet the changing needs and attitudes of the American people. The original legislation was correctly described as "a cornerstone in a structure which is being built but is by no means complete." The extension of coverage to new groups of workers beginning in the 1950's, the addition of disability insurance in 1954-56, Medicare in 1965, and supplemental security income in 1974 are all reflections of this

principle. Less obvious but equally important changes have been the indexing of benefits to price increases, the stabilization of initial retirement benefit levels as a percentage of the current value of pre-retirement earnings, and the elimination of gender based distinctions in the law.

- A tradition of service to the public. From our earliest days, the men and women of the Social Security Administration have prided themselves on providing all Americans with prompt, courteous, accurate and efficient service. We have not always succeeded fully, but we have always tried for these goals. And today, when the provision of such service requires the most up-to-date and comprehensive computer systems, we are embarked on a massive Systems Modernization Plan designed to provide "state of the art" capabilities to our service delivery.

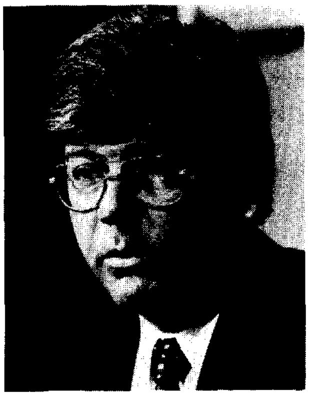
I do not mean to imply that adherence to these principles has always been accomplished without difficulty, or that we have a flawless or trouble-free Social Security system. Anyone who has read the newspapers, watched television, or followed the news some other way during the past few years surely knows that this is not the case. But the financial crises of the early 1980's in the OASDI programs have been resolved by the Social Security Amendments of 1983—the Board of Trustees recently reported that the combined programs were in sound financial shape for the next 75 years—and we are well on our way to correcting other deficiencies in the disability insurance program.

Most important, as President Reagan stated when he signed the 1983 amendments, is the Nation's continued commitment to the vitality of the Social Security programs:

> This Bill demonstrates for all time our nation's ironclad commitment to Social Security. It assures the elderly that America will always keep the promises made in troubled times a half a century ago. It assures those who are still working that they, too, have a pact with the future. From this day forward, they have our pledge that they will get their fair share of benefits when they retire.

We have a sound basis for the next 50 years of Social Security. We have 50 years of experience in the successful application of proven principles. If we, as a Nation, learn from this experience and apply it wisely to the challenges and opportunities that face the Social Security programs—the treatment of women in a changing society, increases in longevity and their implications for retirement policy, and a host of others—these programs will continue to well and faithfully serve our national needs.

In addition to the President, the Secretary, and the Acting Commissioner, 13 others were asked to reminisce about their experiences with the social security program over the past 50 years. Six are former commissioners—John Svahn, William Driver, Stanford Ross, James Bruce Cardwell, Robert Ball, and Charles Schottland. Jo Anne Ross is now Associate Commissioner for Family Assistance. The others—Wilbur Cohen, John Corson, Alvin David, Jack Futterman, Ida Merriam, and Robert Myers—although no longer directly involved in the operation of the program, have been instrumental in its development. Their messages contain important insights into the evolution of the social security system.



John A. Svahn served as Commissioner of Social Security from 1981 to 1983. After serving for 1 year as Undersecretary of the Health and Human Services Department, President Reagan appointed him to his present position as Assistant to the President for Policy Development.

JOHN A. SVAHN

"Magic Moments at the Helm"

There were three most memorable "moments" in and around my 2 and one-half years at the helm of the Social Security Administration. One was tragic, one was magic, one was just plain funny. One had to do with the politics of the program; one with its promise; and one with its unparalleled pervasiveness in our society.

The tragic moment came at 4:59 p.m., November 5, 1982, just 3 days after Congressional elections that revolved all too deeply around the politics of the Social Security system.

That was when the Old Age and Survivors Insurance Trust Fund—the "big one" in Social Security parlance—went technically insolvent and had to "borrow" money to make the November payments. This occurred despite a 10-year stretch of sure signs of coming insolvency that should have been read by politicians of both parties.

Those signs were read by the system's 36 million beneficiaries and 117 million taxpayers—future beneficiaries all, or so they had hoped. As a result the potential political and social fallout of many more months of the Nation's failure to grapple once and for all with the long-term ills of the system would have been catastrophic.

Official Washington did grapple with the system's legacy of weaknesses. And it did so in record time in response to recommendations of the National Commission on Social Security Reform created by President Ronald Reagan and the leadership of both parties in both Houses of the Congress.

The Commission was as bipartisan and reflective of the forces that shape the system as possible. It represented the political leadership of the Congress, who make the laws that govern it; the private sector businesses and workers who pay the taxes that support it; and, in every member of the Commission, the taxpayers and future beneficiaries whose quality of life is now and will be affected by it.

Their good work led to my second memorable "moment"—the magic of definitive Congressional action in the small hours of March 25, 1983, and the White House signing ceremony presided over by President Reagan and the Congressional leadership on the blustery morning of April 20.

It was more than just a President's signature put down that day. It was a sure sign that Social Security will remain—as well it should—a program that will indeed keep its promises to generations to come.

It was also a sign that the American political system still works. And works well on issues of great moment.

My third memorable "moment" came in May, 1983. In retrospect, it was appropriately symbolic of my entire tenure at Social Security. Months and years of criss-crossing the Nation at once to warn of the ills of the system *and* to reassure present and future beneficiaries that whatever its ills, they would be cured. And months and years of criss-crossing Capitol Hill to carry the same message about this most pervasive of all Federal programs.

That "moment" occurred somewhere in the Aegean Sea on a long-overdue family vacation aboard a small sailboat, utterly cut off from any but the faintest of communications via short-wave radio from real-life problems back home or anywhere else in the world, for that matter.

In fact, in a week aboard the sailboat, we heard only a 10-second snippet of news that faded in and out of clarity from an Armed Forces Radio station.

The snippet: ". . .the Social Security issue is back in the news today. . ."

Indeed it was. Indeed it will ever be for years to come.

It was a heady time for the 9th Commissioner. A time of political angst. Of personal stress. Of private joy at the marvels of the Social Security system. Joy that the system could be made to work. And joy over the good work of the tens of thousands of good men and women who *are* the Social Security Administration and who are the best people in the best organization with whom I've ever had the privilege to work.

That system—the Social Security Administration, itself—does indeed work.

William J. Driver, who died June 25, 1985, served as Commissioner of Social Security in 1980-81. He previously had served as President of the Manufacturing Chemists Association in 1969-79 and as Administrator of the Veterans Administration in 1965-69.

WILLIAM J. DRIVER

"The Original Act—It Was Just the Beginning"

Saying that it was "a cornerstone in a structure which is being built but is by no means complete," President Franklin D. Roosevelt signed into law on August 14, 1935, a national Social Security system. For me, the most promising thing that came with his signing of that historic Act was the promise to seek medical care coverage at a later date. Although the architects of Social Security considered including some form of medical insurance in the program, that idea was set aside because of fears that opposition would jeopardize the creation of this Nation's first social insurance program.

And that promise was fulfilled on July 30, 1965 when President Johnson traveled to Independence, Missouri to sign the Medicare legislation at the Truman Library with President Truman present (he had made the Medicare program his goal during his years in the U.S. Senate). President Johnson said that this Act lifted the burden of crushing medical expenses from the shoulders of 18 million Americans over the age of 65—many with low incomes and threatened by unaffordable medical expenses. And so it did until high medical costs, increasing each year, passed the amount paid by Medicare.

Between 1982 and 1986 Medicare expenditures will have been reduced by nearly $22 billion. This severe reduction is due to changes in the law over the past 2 years. The elderly, the disabled, the poor have had their access to health care limited. Tightened eligibility requirements for benefit programs, combined with economic barriers, has caused the average Medicare beneficiary to pay as much for a hospital episode as he or she did before there was a Medicare program.

There is a need for drastic change in this Nation's health care system. Every American should be able to receive good, quality health care conveniently and effectively delivered across the land. Public and private facilities and financial support can and should make this possible. We are and have been treating non-service connected veterans this way for many years. Basic, quality medical care for all should not be treated as a privilege to be passed out by the Congress and the President. Of course, change in this direction cannot happen overnight, but we should be heading toward such a positive goal—not away from it.

Today we are told over and over that we must reduce existing protection, that we must put more and more costs on beneficiaries. That cannot continue if we are to achieve an equitable medical insurance program for all Americans. It is essential for everyone—young and old, alike—to seek controlled, quality medical care for all, mandatory assignment for all physicians, and, federally financed non-profit Health Maintenance Organizations under Federal supervision. Only then will we be able to gradually move towards a national health care plan.

A blue-ribbon commission—similar to one President Reagan established in 1981 to solve the Social Security financing crisis—should be established immediately to examine various options and make public its findings. We have been delaying far too long. Now is the time for action. President Truman's words nearly 20 years ago at the signing of the Medicare legislation are as valid today as they were then: "This is an important hour for the Nation, for those of our citizens who have completed their tour of duty and have moved to the sidelines. These are the days that we are trying to celebrate for them. These people are our prideful responsibility and they are entitled, among other benefits, to the best medical protection available."

Stanford G. Ross served as Commissioner of Social Security in 1978–79. Currently a Washington attorney, he served in many high-ranking government positions including Chairman of the Advisory Council on Social Security and Chief General Counsel of the Department of Transportation.

STANFORD G. ROSS

"Meeting the Income Security Needs of the Nation"

As we commemorate the 50th anniversary of the enactment of Social Security, it is an appropriate time both to look back and to look forward. As we look back, we can see that enactment of this law was perhaps the most fundamental domestic social action in the history of the United States. With enactment of Social Security, the Federal Government took primary responsibility for the income security needs of the Nation. Over the past 50 years we have seen the Federal Government through direct action, such as Social Security and SSI, and indirect action through providing tax incentives and regulation for private and individual income security programs, develop a massive system of needed support for the people of the United States.

It is important as we survey the past, however, not to lose sight of the problems as well as the successes. The successes are clear enough. We now have on the public side a virtually universal pension system in Social Security, a broad-based national supplemental security income system, health programs and other social programs. On the private side, we have a large private pension system that supplements Social Security, and widespread health care, life insurance, disability income, and other private welfare programs. The income security of our people has never been stronger.

However, we have also seen that as the public sector programs have expanded, they have contributed to major governmental problems today. We have a large deficit and we have an unjust tax code. Since income security programs make up almost 50 percent of the Federal budget, their contribution to the deficit and their participation in the solutions to the deficit problem must not be glossed over. Since we have an unjust tax system, enactment of comprehensive tax reform in the interests of fairness, simplicity and economic efficiency must take account of the major tax subsidization of private and individual income security measures. These are not easy issues but they are issues that must now be fully confronted.

As we turn our eyes from the past to the future, we must be careful not to refight the previous battles but to address the issues that given the changing character of our society are the keys to the future. I hope that we have fought and put behind us the battles over public *versus* private programs to provide income security. I think it is clear that at this point in time we need both strong public *and* private programs to address the income security needs of the Nation. There are major issues as to the appropriate roles of public and private programs, but it is important to see these programs as complementary and mutually reinforcing and acting in harmony rather than as antagonistic and in conflict with one another.

This brings me to what I see as a major national priority in the years ahead. I think we need to develop an explicit national income security policy that defines appropriate roles for both public and private sector programs. I would include in these programs not only public programs such as Social Security and supplemental security income but AFDC and Medicare and Medicaid and more particular social programs that protect the health of children, the welfare of the elderly, and the participation of the disabled in our society. We should not lose sight of the fact that the original Social Security Act of 1935 dealt holistically with all of these programs and one of the unfortunate aspects of the last 50 years has been the fragmentation of outlook which has tended to treat all of these programs separately. The consequence today is that the most vulnerable of the programs have received less favorable treatment than they might have had a comprehensive national policy been in place to provide a more consistent set of social values and realistic goals.

It is also important with respect to private programs that we improve their direction and regulation and that we maximize from the standpoint of fairness and economic efficiency the tax subsidization of these programs. It is important that in the private area we address issues such as coverage, portability, vesting, Social Security integration, defined benefit versus defined contribution plans, role of IRA's, form of distribution from plans and appropriate level of retirement income and retirement ages.

Finally, as we go forward it is important not only to develop a national income security policy that gives us a set of realistic social goals for the future, but that we improve and integrate the administration and implementation of our goals and programs. We need in both the Executive and Legislative Branches to make better provision for providing a politically coherent response to problems. The one thing we know is that as our society changes our programs must be adapted and the proper functioning of our political system is vital to sound adjustment.

If in the years ahead we properly develop a national income security policy, and if we have the political will to properly implement this policy, and if we cooperate as a Nation in carrying out this noble endeavor, when some 50 years from now we reach the 100th anniversary of Social Security, we will be able perhaps to see the second 50 years as being as successful as the first. Undoubtedly, there will be stresses and strains and times of intense problems, just as there have been in the last 50 years, but in the end progress will reign and the Nation will be well served by our efforts.

James Bruce Cardwell served as Commissioner of Social Security from 1973 until 1977. He is currently Executive Vice President of the Blue Cross and Blue Shield Associations.

JAMES BRUCE CARDWELL

"Social Security: 50 Years Young"

Both the supplemental security income (SSI) program and my term as Commissioner started at the same time. But, as difficult as the SSI program was in its early days, that is not what I first think of when I think of Social Security. My thoughts almost always go to the status of the agency and its employees.

I have always thought of the Social Security program and the people who administer it as being one and the same. Without one we couldn't have the other. And I am especially proud to have been a part of both, if but for only 4 short years.

For almost 20 years prior to joining Social Security, from my vantage point in the Department of Health, Education, and Welfare, I worked alongside Bob Ball, Art Hess, Jack Futterman, Millie Tyssowski, and many others who shall long be remembered for their service to SSA and its cause. The quality of their work, their pride in it and their loyalty to their agency and its purpose were extraordinary. There was no question in my mind or in the mind of anyone who understood the Federal service but that SSA was the very best Federal agency, not just within the Department of Health, Education, and Welfare, but within all of government.

It was with these feelings of respect and admiration for the agency and its employees that I joined SSA in 1973. And, while there, these feelings were reinforced and confirmed. I saw the same spirit, dedication and pride that I had observed before make SSI work in the 1970's—just as they had made Medicare work in the 1960's and just as they have made the basic Social Security program work for 50 years.

Today, I live away from Washington and Baltimore and my time and attention are spent on things unrelated to government. But, I think often about what might be happening to it. I think particularly about what might be happening to the institutional strength and capacities of SSA and the esprit of its employees. I'm fearful that they may have been weakened or eroded by the mood and events of the last decade. But, at the same time, I reassure myself through my belief that the things that have always set SSA apart will see it through once again. This is important to all who care about the quality of government and the interests of those whom it serves.

My other thoughts of the moment go to how today's younger workers feel about the program and its future. Because of the protracted controversy over the program's financial adequacy, too often young people appear doubtful about whether it will be there when they need it or whether they will get their money's worth.

I see these concerns and questions as being the most critical challenge currently facing the program. They must be overcome and full public confidence must be restored. To this end, nothing should be taken for granted when it comes to public perception and understanding. Every worker, every citizen must be made to understand that Social Security is financially sound; that it can and will do what is expected when the time comes, whether that time be tomorrow or another 50 years from now.

Robert M. Ball served as Commissioner of Social Security in 1962–73. A Senior Scholar, Institute of Medicine, National Academy of Sciences, he served on the bi-partisan National Commission on Social Security Reform in 1981–83.

ROBERT M. BALL

"Restoring Financial Stability to Social Security"

I have been asked to write about one of the most memorable moments of my career in Social Security. There is no way I can choose among the dozens of memorable events in my association with the Social Security program and say, "This is the most memorable." I worked in the program for 30 years and have been associated with it in and out of government for 47 years.

Should I choose the Advisory Council of 1947-48 and the subsequent 1950 amendments, which may well have rescued the program from being supplanted by some Townsend-like flat benefit approach or a greatly expanded public assistance program? Should I select the crucial hearings before the subcommittee of Ways and Means in the first year of the Eisenhower Administration when an attempt to discredit the program and its principles was decisively turned back? Should I select the later wholehearted adoption of the program by the Eisenhower Administration and the major extensions of the program during the first Republican Administration since the program's establishment? What about the adoption of disability insurance? And Medicare? And not just the legislative developments but the unprecedented problems of administrative implementation of these two additions to our social insurance program? How about the adoption of the automatic cost-of-living adjustments in the Nixon Administration and the adoption of provisions that keep benefit computations up to date with wages in the Carter Administration? Any one of these could be chosen as could dozens of administrative crises met and overcome, as when 95 percent of the people over were signed up for the voluntary part of Medicare (Part B) just before the program became effective, or how the hospitals of the South were desegregated in the months just prior the effective date of hospital insurance coverage. Or the establishment of a district office in the center of Watts within days of the first big city riot of the 1960's.

But I pass over all these and much, much more to choose January 15, 1983, the day the National Commission on Social Security Reform agreed on the recommendations that formed the basis for the 1983 Amendments to the Social Security Act. Because of these amendments, the old-age, survivors, and disability insurance program—what most people mean by Social Security—is financially sound as far as the eye can see.

All through 1981 and 1982 the country was bombarded with stories of the impending bankruptcy of Social Security. Social Security beneficiaries and their sons and daughters were frightened and confused. The very capacity of our government to solve important problems was being challenged. Yet in a very short time, the situation has completely changed. How did this pleasing state of affairs come about?

An important step toward a Social Security "rescue" was taken in the establishment of a National Commission on Social Security Reform appointed jointly by the President and the Democratic and Republican leadership in the Congress. The Commission worked throughout 1982 and 12 of its 15 members agreed on a set of recommendations just an hour or two before the Commission's charter was to expire.

The final agreement was negotiated in the first 2 weeks of January 1983 by three Republican members of the Commission and four top members of the White House staff, on one side, and two Democratic members of the Commission on the other. The President and the Speaker of the House immediately endorsed the agreement, and legislation closely following the Commission's recommendations passed Congress in record time. The amendments were signed into law on April 20, 1983.

Prior to the last 2 weeks of negotiation, the Commission, under the Chairmanship of Alan

Greenspan, the noted economist, had made considerable progress by getting agreement on the size of both the short-term and the long-term financing problem and by carefully examining a great variety of possible solutions. The Commission had also made progress by ruling out various radical solutions which would have fundamentally changed the nature of the system or its financing. The Commissioners, however, had not been able to agree on a specific set of recommendations. One group, the members appointed by the Democratic leaders of the Congress, urged solutions based largely on accelerating already-scheduled tax increases, with general revenue offsets for increases in employee taxes, and the other group, those appointed by the President and the Republican leadership of the Congress, focussed largely on benefit reductions.

The compromise described below came out of the January negotiations. The Republican negotiating team was made up of four members of the White House Staff: James Baker, then Chief of Staff, Richard Darman, Assistant to the President, David Stockman, Director of the Office of Management and Budget, and Kenneth Duberstein, Assistant to the President for Legislative Affairs, and three Republican members of the Commission, Chairman Greenspan, Senator Robert Dole and Congressman Barber Conable. The two members of the Commission on the Democratic side were Senator Daniel Patrick Moynihan and myself. Any effective agreement, of course, had to be acceptable both to the President of the United States and the Democratic leadership in the House and the Republican leadership in the Senate. And it was necessary to have a set of proposals that could win the endorsement of the majority of the National Commission as a step toward Presidential and Congressional approval. Thus as the agreement was forged, every step of the negotiations had to be cleared in several directions. Could this concession be accepted by Lane Kirkland, President of the American Federation of Labor and a Commission member? Could this concession be accepted by the business community, as represented by Robert A. Beck, President of the Prudential Life Insurance Company and one of the leaders of Business Roundtable and Alexander B. Trowbridge, President of the National Association of Manufacturers, both members of the Commission? Could this concession be accepted by Congressman Claude Pepper, Chairman of the Rules Committee of the House of Representatives and the Nation's leading advocate of elderly causes and a member of the Commission? And, of course, the positions of all members of the Commission were important on each issue. Then, too, there were many other persons involved behind the scenes, such as Chairman Rostenkowski of the Ways and Means Committee and Chairman Pickle of the Ways and Means Subcommittee on Social Security.

On the morning of January 15, 1983, the last negotiating session was held in the Blair House, the President's guest house located across the street from the White House. The negotiators had come to an agreement that they were willing to take back to the key people not in the negotiating group and then if it won approval, to the President and to the Speaker of the House for their reaction before presenting it to the full National Commission on Social Security Reform. I spent the afternoon at Blair House on the telephone with President Kirkland, Congressman Pepper and his staff, and former Congresswoman Martha Keys, also a Democratic appointee to the Commission and the staff of the Speaker of the House. Other members of the negotiating group were spread over Washington talking to other key persons about the tentative agreement.

The negotiating group gathered again at Blair House in the early evening and were able to report acceptance of the compromise. With only an hour or two to go before the expiration of the authority of the Commission we went around the corner to Commission headquarters on Jackson Place and met with the full Commission. After thorough discussion, the agreement received 12 votes, with 3 opposed. The President and the Speaker were informed and the press was invited in and the agreement described.

No one who supported the plan liked all parts of it. There was some pain for everyone involved in Social Security, but not too much for any one group. The major elements in the plan were:

- Contribution rate increases were speeded up for both workers and employers, with employers paying more than under previous law in 1984, 1988 and 1989, and employees paying more in 1988 and 1989. The maximum rate from 1990 on was left the same as in previous law.
- The self-employed were required to pay Social Security rates that are comparable to what is paid by and on behalf of employees, a considerable increase over what they had been paying in the past.
- Higher-income Social Security beneficiaries (less than 10 percent of all beneficiaries) were for the first time required to pay an income tax on one-half their Social Security benefits, with the proceeds of the tax going to support Social Security.
- Those non-profit employees not previously covered (about 15 percent of the total) and newly hired Federal employees were brought under the system, as were members of Congress and top officials of the Executive Branch.
- The Federal Government speeded up its payment for military service credits and paid for the refundable tax credit for employees in the year 1984 and

for certain tax credits for the self-employed.

- Beneficiaries had the cost-of-living adjustment postponed 6 months and put permanently on a calendar year basis, a move which amounted to approximately a 2.5 percent benefit cut for both present and future beneficiaries.

To put Social Security financing on a sound basis for both the short and long term, agreement was struck among many diverse interests. Because of the willingness to compromise in many areas, adjustment in any specific area such as benefits, taxes, the use of general revenues and other program provisions were relatively minor. It was this agreement with only one major modification (increasing the age of first eligibility for full benefits beginning in the year 2000) that became the Amendments of 1983. More than any other event in recent times, the Social Security compromise demonstrated that there is a political center in America that can govern for the benefit of the country even when there are extremely difficult problems to be faced and strongly held differences of opinion about solutions. Of all my experiences in Social Security, this was certainly one of the most memorable and most important.

Social Security is now safe for the indefinite future. As the President said in signing the 1983 amendments into law:

> This bill demonstrates for all time our Nation's ironclad commitment to Social Security. It assures the elderly that America will always keep the promises made in troubled times a half a century ago. It assures those who are still working that they, too, have a pact with the future. From this day forward, they have our pledge that they will get their fair share of benefits when they retire.

Charles T. Schottland served as Commissioner of Social Security in 1954-58. Earlier in his career, he was employed as director of the California Department of Social Welfare and as assistant to the chief of the Children's Bureau.

CHARLES T. SCHOTTLAND

"Major Developments in Social Security During 1954-58"

The 5 years during which I had the privilege of serving as Social Security Commissioner were years of significant change and growth of the programs. Coverage was extended, new categories were covered, women workers and wives could retire at 62, disability benefits were established, Advisory Councils on Social Security Financing were authorized for the first time, the building of a new headquarters for Social Security was authorized and construction was started, and research and demonstration projects in Social Security were authorized.

The major developments were as follows: During my administration, the major legislation was embodied in three major bills:

The Social Security Amendments of 1954 (P.L. 83-761), signed September 1, 1954.

The Social Security Amendments of 1956 (P.L. 84-880), signed August 1, 1956.

The Social Security Amendments of 1958 (P.L. 85-840), signed August 28, 1958.

Coverage

1954 Approximately 10 million additional jobs were covered, including farmers, State and local employees under retirement systems, additional domestic workers, and self-employed members of certain professions.

1956 Members of the uniformed services (approximately 3 million) were covered on a contributory basis.

Wage Base

1954 The taxable wage base was raised from $3,600 to $4,200.

1956 The wage base was raised again from $4,200 to $4,800.

Benefits

1954 Increased by an average of $6.00.

1956 Benefits were made available to women at age 62 with an actuarial reduction for women workers and wives.

1958 Increase of 7 percent.

Disability

1954 The disability freeze was enacted.

1956 Disability insurance benefits and benefits for disabled children above age 18 were established.

1958 Benefits for dependents were authorized.

Miscellaneous

Advisory Councils on Social Security were authorized by 1956 legislation.

Interest rates on the OASI Trust Fund were modified in 1956 to reflect the long term character of investments.

Protection for estranged wives, young widows who remarry, adopted children and certain other groups was strengthened in 1957 and 1958.

Temporary hearing examiners were authorized to reduce the backlog of appeals.

A new building was authorized and construction was started to house the principal activity of the Social Security Administration, namely OASI.

Research and demonstration projects in Social Security were authorized in 1956.

The listing above cannot convey the excitement, the controversies, and the challenges of this significant period of time in the life of Social Security. The addition of 10 million persons to the ranks of covered workers was a major step toward the goal of universal coverage, while the increase in the work load was a challenge to the administration to integrate this large number into the newly developed computer system.

The excitement around the new building gave a morale boost to our staff. At last, SSA was to have its own home—a building constructed for Social Security and to its specifications.

The disability freeze and the later disability insurance benefits were the result of controversial congressional hearings. Opposed by the American Medical Association, insurance companies, and others, the hearings were lively and sometimes acrimonious. None of us felt quite sure that our estimates of the numbers involved would prove to be accurate since statistical materials were not very complete and the SSA had little actual experience in this field.

The coverage of uniformed personnel was a satisfying consolation development since we had favored coverage of all Federal employees. We lost the battle but the Pentagon wished to cover the military personnel and in this one move 3 million persons were added to those covered.

One of the most interesting battles occurred around the reduction of the retirement age for women to 62. The organized women's groups were generally opposed to this move fearing that employers would then retire women at age 62. But women generally endorsed the idea and flooded Congress with representations of support.

These years were a time of growth and expansion, a time of strengthening the financing of Social Security, a time when there was a recognition that Social Security was maturing and that it was establishing a firm base of support from the overwhelming majority of our citizens.

Wilbur Cohen, formerly HEW Secretary in 1968-69, served as technical advisor to the Commissioner of Social Security from 1935 to 1952. Previously, he was research assistant to the Executive Director of President Roosevelt's Committee on Economic Security, 1934-35, which drew up the original Social Security Act.

WILBUR J. COHEN

"The Early Days of Social Security"

I came to Washington from Madison, Wisconsin in mid-August 1934 to work for Edwin E. Witte, the Executive Director of President Franklin D. Roosevelt's Cabinet Committee on Economic Security. Mr. Witte had been given the responsibility by Frances Perkins, the Secretary of Labor, of drafting the Report of the Committee which was subsequently approved by President Roosevelt on January 15, 1935. I was a young research assistant whose assignments consisted of analyzing foreign Social Security programs and in 1935 monitoring the progress of the Social Security bill through Congress.

In 5 short months in 1934 the basic framework of the Social Security Act was formulated. And in another 7 months in 1935 it was enacted into law! A monumental change in the relationships between individuals, the States, and the Federal Government had been instituted. Today, 50 years later, we can see the significance and magnitude of that historic legislation in protecting families, communities, and the Nation.

Shortly after President Roosevelt signed the Social Security bill into law on August 14, 1935, he appointed three members of the newly established Social Security Board. To demonstrate that the new law was to be administered impartially and non-politically he appointed a former Republican Governor of New Hampshire, John G. Winant, as the Chairman of the Board. Arthur J. Altmeyer, the Chairman of the Technical Board of the Committee on Economic Security, who had had primary responsibility with Frances Perkins, in making the major policy recommendations was appointed a member of the Board.

Within a few hours of his appointment, Mr. Altmeyer telephoned me and asked me to bring my papers, a typewriter, and our secretary, to an office on the third floor of the Department of Labor where we started the Social Security Board. I was the first professional employee of the Board.

I recall the anxiety we experienced in late 1936 when we began to register persons for their Social Security numbers. The registration of some 26 million persons was a major project which we thought might swamp the post office. Some newpapers raised the fear that the registration form might be an invasion of privacy and lead to regimentation of those enrolled. But the good sense of the American people overcame these unfounded fears.

One of our major tasks in 1936-37 was to develop, publish and distribute informational pamphlets on all aspects of the new and far-reaching law. The pamphlet on old-age "benefits" (title II) was so simple and clear that the *New Yorker* magazine publicly heralded it as a triumph of clarity and simplicity. Over the years the Social Security Administration has pioneered in preparing and distributing public information of outstanding quality to beneficiaries and contributors.

I was present in the Supreme Court on May 24, 1937 with John Winant and Arthur Altmeyer when Justice Benjamin N. Cardozo handed down the three decisions which upheld the constitutionality of the Federal old-age insurance aspect of Social Security (7 to 2) and State unemployment insurance laws (5 to 4). We walked down the steps of the Supreme Court building in an euphoric glow. A new day had dawned in American constitutional history. I recall Cardozo's words of 48 years ago as though they were yesterday. He wrote and spoke in poetic cadence:

> Nor is the concept of the general welfare static. Needs that were narrow or parochial a century ago may be interwoven in our day with the well-being of the Nation. What is critical or urgent changes with the times . . . The hope behind this statute is to save men and women from the rigors of the poor house as well as the haunting fear that such a lot awaits them when journey's end is near. (Helvering v. Davis, 301 U.S. 641).

Old-age, survivors, and disability insurance is what most people think of as "social security." It is the largest program in the Social Security Act—37 million persons are currently drawing benefits—and is an essential part of the safety net in our Nation. Without it there would be more than 15 million persons in the poverty group today and many more persons on welfare.

The disability and survivors insurance protection is especially valuable to younger persons and families. The four different types of protection offers a *family* protection package: disability, life (survivors) insurance, old-age benefits, and Medicare. And administrative costs are only 1.5 percent of the benefits!

I recall the time in 1936 when Mr. Winant, the first Chairman of the Social Security Board, and Mr. Altmeyer, later the Commissioner for Social Security, personally selected each and every one of the initial field office managers. They wanted the local offices to serve the public efficiently, effectively, and courteously—as the offices have tried to do since they first opened 49 years ago.

I spent 30 years working for the Social Security Board and with the Social Security Administration. The employees were—and still are—a dedicated and competent group of governmental associates. They worked hard and long. I am glad to have been associated with such an important program.

I am proud of having had a small role over 50 years in building and preserving a safety net which has helped to reduce the need for welfare and has helped to stabilize purchasing power of our free competitive market economy.

John Corson was the Director of the Social Security Administration's Bureau of Old-Age and Survivors Insurance in 1938-41, and again in 1943-44. Previously, he was the Assistant Executive Director of the Social Security Board in 1936-38.

JOHN J. CORSON

"Social Security—A Recollection"

The years, 1936-44, when I was associated with the administration of Social Security, were the "make it work years." The suffering of the 1930-35 depression years had highlighted the tragedy of the aged. Franklin D. Roosevelt had nurtured and sold the idea of self-respecting aid for the aged. The Congress had overwhelmingly approved the law creating Social Security in 1935. What remained was to make it work.

Despite widespread approval of this new law, the times were rough. The Republican candidate for president in 1936 promised, if elected, to repeal the law. At his suggestion many employers inserted materials in their employees' pay envelopes warning them that the payroll taxes to be deducted from their wages would be lost. And when it was proposed that Social Security numbers would be issued, this candidate branded them as "dog tags to be hung around the neck of every American worker."

The press branded the organization being created to administer this new law as "the biggest bookkeeping organization in the world." The keeping of individual accounts of the earnings of each of more than 80 million workers and the calculation of benefits due those who retired or died on the basis of their earnings was an unprecedented task for government—or for any private enterprise. Moreover, it created for employers a new and unpopular reporting obligation.

Sir Roland Davidson, who had administered the British unemployment insurance, was brought over to assist with the planning of the organization and its processes. Harry Hopp, the preeminent management consultant to American corporations in those days, was retained to review the way in which we planned to go about the job. The advice of each was substantially similar: "You can't do it; go back to the Congress and have them revise the law; abandon the idea of relating each individual's benefits to his or her earnings on which each had paid contributions."

The years 1936-39 were fraught with problems. Social Security numbers were assigned to more than 30 million individuals. With the aid of these numbers, ledger accounts were established for each of these individuals. Local offices were established in 300 communities to accept the claims of those who retired or died. And the big test was met: the payments that became due for the first time in January 1937 were paid on time.

So well was the system functioning by 1939 that a national advisory council, appointed to review its operations, proposed the payment of monthly benefits (only one-time lump-sum payments were payable during 1937 and 1938) 2 years earlier than the original law called for. And the Congress amended the law to provide for the payment of benefits to widows and orphans of workers who died as well as the benefits for those who retired. Again the administration met the test—benefits were paid on time.

Moreover, the House Appropriations Committee, concerned with the cost of administering this vast new enterprise, investigated and found that the system was operating at a cost of less than two cents of each dollar contributed as payroll taxes. That ratio of administrative cost was significantly less than had been achieved by any private insurance company!

We who were responsible for "making the law work" in those early years had our problems; we made mistakes. But within 5 years, leaders in private industry—M. Albert Linton, President of the Provident Mutual Insurance Company; Reinhard A. Hohaus, Chief Actuary of the Metropolitan Life Insurance Company; and Marion Folsom, Treasurer of the Eastman Kodak Company among others—publicly applauded the Bureau as a model of efficient operation. That fact need be illuminated for those prone to criticize the operation of this vast enterprise today.

How did we do it? We had a team of workers who believed deeply that we were doing something desperately important. We didn't know that we couldn't do it (even though Davidson and Hopp had advised us that we couldn't!). We believed in ourselves, and above all in the essentiality of Social Security.

Years later, when I served in private enterprise, I never was able to induce, with the aid of higher pay, bonuses, stock options et al. as great devotion to duty or more imaginative enterprise from the workers I managed, than from those I worked with in Social Security in the years 1936-44. It was a great and rewarding experience. I have often wondered why I ever left.

Alvin David served as Assistant Commissioner for Program Evaluation and Planning prior to retiring in 1973. In his 36 years at SSA he played a major role in shaping SSA programs and policy.

ALVIN M. DAVID

"And that has made all the difference"

In 1935, contributory social insurance in the United States was an idea that had met its time. This is not to say, however, that the time was bound to come and the only question was when. Actually, contributory social insurance met its time and came through by the skin of its teeth. At one point, a motion to include in the Social Security Act a program of "Federal old-age benefits" lost in the Senate Finance Committee on a 7-7 tie vote. Only when the Chairman surprisingly produced a proxy given him by one of the Senators of the other party did the motion carry.

If the time for contributory social insurance had not come in 1935, it almost certainly would not have come at all. By 1936, the time had come and already gone. The Great Depression was further in the past, the momentum of New Deal legislative action had come to a halt, and the social insurance idea was too little understood and too much misunderstood to have won Senate approval in the face of the attacks that by then had gathered substantial strength. Nor would the chances have been any better or as good in 1937 or in any later year. A going program could be extended and improved; but at no point after 1935 would the Congress have approved setting up so radically new a departure as a program of benefits geared to wages and paid without regard to need. (What we'd have had would have been a very big and very expensive means-test program and perhaps a noncontributory flat-pension with payments far too small to provide anything like security.)

Looking back, we can see easily the way Social Security has come to be what it is. We see what looks like a straight road from the beginning to here; obscured in the mist of the years are roads that might have been but were not taken—roads that would have led somewhere else, not here. None of the others made the immediate, life-or-death difference made by the 8-7 vote in the Senate Finance Committee, but there were many points where "the road not taken" had made a great deal of difference and, in some cases, had made all the difference.

The foremost of the roads that made all the difference was that of the 1939 amendments, which came through in the nick of time before war in Europe dominated the Nation's attention. The amendments made the difference between a "real-thing" social insurance program and a program that, much like a private pension plan, laid heavy emphasis on individual equity and return of contributions rather than added provision for monthly payments to dependents and survivors, paid benefits based on cumulative rather than average wages, and for the out years was to be financed in substantial part from earnings on an accumulated fund. Such a program could not ever have become comparable to what we have today, with benefits that are paid out of current income and thus can be kept up to date with current earnings levels and cost of living.

Among the roads taken or not taken before or after 1939 that made a great difference were the following.

In 1935, the Senate gave serious and lengthy consideration to an amendment that would have allowed employers who had set up a private pension plan to have their employees excluded from Social Security coverage. Had the amendment been included in the final bill, both employers and labor would have been divided with respect to their interest in Social Security, and the undivided support of each group as well as the combined support of both, which were essential to the program improvements that were made over the years would not have existed. Similar divisions of support, with similarly disastrous results, would have occurred if the Congress had adopted the original Committee on Economic Security proposal that, following a common European pattern, had limited coverage to workers whose earnings were not in excess of $250 per month, and thus had made Social

Security more of a class program than a universal one.

The bill developed by the Committee on Economic Security in 1934 provided that in the out years there would be general-revenue as well as employee and employer contributions. The Treasury Department recommended that the program be self-sustaining, and the President agreed. While much is to be said for a general-revenue contribution and while there were times when such a contribution would have made possible a more effective program, there have been other times, especially lately, when dependence on general revenues would have made the program much more vulnerable to benefit cutbacks than is now the case.

Not long after the law was enacted, the Social Security Board brought from Europe a consultant who was reputed to be *the* world expert on social insurance recordkeeping. His advice was that an attempt to operate a wage-record system on the scale required by the newly enacted law would very probably lead to disaster, and he recommended to the Board that it take steps to get the Federal old-age benefits program repealed. A less courageous and less determined Board might have heeded his advice; given that the Board did not heed the advice, a less ingenious American technology might have failed to rise to the occasion and produce the machinery required for a workable system. Either way, what might have but didn't happen had made all the difference.

Administration of the program fell into the hands of a whole lot of people who were competent, devoted to the program's social goals, and more than willing to make the personal sacrifices and do the extra-hard work that operation of the program demanded. They established an enduring tradition of caring, responsible service to the public. It was no sure thing that administration would fall into such hands. Not all programs have been that lucky.

One of the roads taken in 1937 was that of the Supreme Court decision on constitutionality. The same Justices who in 1935 had found unconstitutional the National Recovery Act and the original Railroad Retirement Act were still there, and despite the 1936 election returns, no one could be sure which way the Court would go.

In the 1940's one of the roads taken had to do with the program's coverage. What was at stake was not only the security of the individuals and groups involved but the overall strength and effectiveness of the program itself. A political issue concerned excluding from coverage some half a million "outside salesmen" and a main figure in the campaign to do that was a member of the House Ways and Means Committee, Representative Gearhart, of California. His defeat in the 1948 election hardly went unnoticed. The campaign to exclude the salesmen lost much of its steam, and in 1949 the Ways and Means Committee and the House (followed by the Senate in 1950) adopted legislation extending coverage to the self-employed and other major groups. With coverage no longer limited to workers in industry and commerce, Social Security was on its way to becoming a practically universal program. It was more firmly established, and the door was open, as it would not otherwise have been, to important improvements in benefit and eligibility provisions.

In 1953 came hearings before a Ways and Means subcommittee whose chairman was opposed to the fundamentals of the program, and so soon after the legislative advances of 1950—and also of 1952—the program was under serious attack in the Congress. The chairman's efforts were foiled though, the hearings fizzled, and once again a road that could have led to disaster was not taken.

At the time of the hearings, the approach to Social Security on the part of the administration elected in 1952 was as yet uncertain. Abolition of the office of the Commissioner for Social Security, Arthur Altmeyer, was not a promising sign. By 1954, however, the new administration had supported and gained acceptance in Congress of legislation that further extended coverage, further increased the wage base beyond the increase made in 1950, and made other changes that strengthened the program and solidified its position.

Although it had no direct effect on the substance of the program, the 1963 organizational change that abolished the Bureau of Old-Age and Survivors Insurance and in its place established a new Social Security Administration without an administrative layer between it and the Department of Health, Education, and Welfare made a great deal of difference in management and in public and congressional perceptions of the program.

Over the years after 1950 there had been ad hoc increases that kept benefit levels fairly well in line with increases in the cost of living. The combined effect of rising wage levels over this period and the ad hoc adjustments in benefits was that initial benefits generally kept pace with current wage levels and benefits maintained their purchasing power after initial entitlement, though there were frequently substantial delays in making the adjustments. The 1972 legislation making cost-of-living adjustments automatic added tremendously to the effectiveness of the program and to the security it provides. And the complementary change making wage-base increases also automatic added substantially to soundness in financing as well as to program effectiveness.

All the other roads taken and not taken would have had little importance for the future if in 1983 a way had not been found to overcome the financing problems that resulted from unprecedentedly long periods of high inflation and low or negative real wage growth, accompanied by high unemployment. The question was whether there could be a solution more or less acceptable to all concerned—in particular a solution that did not entail severe reductions in Social Security benefits. Considering how nearly irreconcilable the various interests appeared to be, none but the very bravest believed that a generally acceptable solution could be developed. The roads that would have been taken in the absence of the solution that was at last worked out and adopted would have meant serious hardship to beneficiaries and serious damage to confidence in the future usefulness and integrity of the program.

The program we have today did not have to be the great program that it is. It was no acorn that was programmed to become an oak. It might not have happened at all. It might have happened and later been replaced by something else. It might at any number of points have taken the wrong road and become a puny, skinny runt instead of what it is. The American people are lucky that it exists. It is to be more valued and more appreciated and less to be taken for granted than would be the case if it had been a sure thing. And when the times come that new roads are to be taken or not taken, it will need to be guided and directed in ways worthy of the care, devotion, intelligence, vision, and high ideals that made it the marvel that it is—the marvel that has made all the difference in peoples' lives.

Jack Futterman was Assistant Commissioner for Administration until he retired in 1972 after a 36-year career with the Social Security Administration. Previously he served as Executive Assistant to the Commissioner, Deputy Chief of the agency's program analysis and planning component, and, for several years, as the agency's Budget Officer.

JACK S. FUTTERMAN

"Social Security and Its Founding Staff"

I have many "golden" memories of my 36 years of work for Social Security. But the ones that rush to mind, as the Nation and its people celebrate the program's 50th anniversary, go back to its early beginnings, to the kind of persons that Social Security attracted to become its founding staff, and to the imprint that staff made on the nature and character of its administration.

Mine are not memories embracing all of the then Social Security's multi-faceted developmental activities but rather those I was able to make through my own small knothole observation point in the Candler Building in Baltimore starting in 1936.

Social Security was born in the depths of a great depression. It was a terrible time. A time of wide spread hunger, enormous deprivation and large scale, extensive, unemployment. It was a very bad time indeed, and yet, if one were free to select a time to staff and build a great social program like Social Security, it would have been difficult to conceive a better time than the early years of Social Security when the Nation was foundering in the depths of a historic depression.

It was a time when *any* job was eagerly sought and the millions of unemployed competed fiercely—Ph.D.'s and holders of Master's Degrees fought to get the same jobs that those with a much more meager education sought—receiving and shipping clerk positions, waitress, or whatever position was being filled.

In this climate Social Security hired people, and I was fortunate to be one of them, to fill clerical positions from Civil Service Registers densely packed with the names of persons with qualifications far beyond the needs of the jobs for which they were eligible; people who in better times would have been in high demand to fill top generalist, specialist, and technical positions.

The Candler Building was by no means the location of the "all" of Social Security activity. It was just one of several different kinds of centers working to get the administration of the program launched. Yet I have no doubt that in respect to the character of their staffs and their influence there was little essential difference.

It was the assigned function of the Baltimore organization to establish the basic records that would be needed for Social Security to carry out its ultimate designed purpose to pay benefits when workers met the requirements. There was no master plan that laid out the detailed steps to get from A to Z. There had been no time to do that. What there was, was a very broad-gauged idea of what they wanted the social insurance program to accomplish and a brash confidence that those entrusted with running the program would somehow work out an acceptable means of getting there.

Despite the grave misgivings of some recordkeeping experts that a system of basing the payment of benefits on an individual's record of lifetime earnings would prove to be an impossible task, this confidence that a way would be found to do the job, proved to be sound. Much of this was attributable to the staff from the lowest graded to the highest.

In hindsight the absence of a "map" of how to get there was beneficial; had one existed it would undoubtedly have stifled the sustained burst of creative and imaginative effort that resulted as responsibility for each part of the job was parcelled out, first at the top and then through the lowest levels. Lacking predeveloped detailed instructions each worker had considerable latitude to work out the most efficient way to get his task done. Out of this atmosphere, and stemming in good part from the high caliber of the staff there came the perpetual search for a better way that became a Social Security tradition and, for many years, a hallmark of the way SSA did its job.

One very simple example of this attitude helps recall the flavor of those days. Fifty years ago, recordkeeping was a far cry from today. Much was done manually—some with the expenditure of much physical effort. For example, in the days before electronic data processing, the standard method of keeping a record was on paper. And it was so with the system that we began to set up in the late 1930's. Each of the many millions of covered workers would have an individual ledger sheet set up showing his name and account number and when his employers reported (semi-annually at first, later quarterly, and now for the most part, annually) the worker's ledger would be removed, the reported earnings posted, and the ledger returned to its place in file. Just like any small businessman might do, *except* perhaps hundreds of thousands of times larger!

Jobs that the small businessman took in stride looked very much more challenging when increased in size 50 million percent! One example out of a great many was this matter of the ledger sheet. The ledgers were purchased as pin-feed stock to facilitate the printing, on the ledgers, of the worker's name and account number. When this was done, the pin-feed had served its purpose. In fact, the perforated edge had to be stripped away and the sheets separated from each other before they could be used in operation.

Initially, human fingers seemed sufficiently well adapted for this purpose—at least for the first 100,000 or so! But soon the cuts, bruises, and sore fingers and hands made evident that a better way was needed. Pliers, not subject to the ills of flesh soon found their way into widespread use. But all pliers are not equal and this gave rise to the search for the perfect plier—bigger, stronger grip, . . . When the plier technology seemed to have reached its peak still falling short of the ideal, the emerging "technology" of the cutting machine had its day only to be followed, in turn, by a series of other creative and imaginative approaches.

The culmination of this early search for a better way was a high-speed machine invented by one of our fellow workers. It used a set of fixed knives and rollers on a motor driven device to produce a shearing action. The knives stripped the edges off a continuous stack of ledger sheets as they were fed through at high speed and the action of the rollers (which were at a small angle to each other) "burst" each ledger from the following one. The machine eliminated for all time the manual job of "stripping and bursting."

Looking back 50 years from the vantage point of today's exploding and ever increasing powerful high technology one is tempted to laugh at such crude goings-on in the name of recordkeeping, yet the spirit that undergirded this search for a better way typified the spirit which accompanied getting the Social Security job done over the years and that made the Social Security record system in its formative years, a showpiece to business. Those familiar with the history of the development of modern data processing, telecommunications, and photographic equipment and techniques know well the debt due to the skill, competence, and insatiable appetite for new and better ways, of the people staffing Social Security. Without its pioneering efforts, working often in close relationship with the related industries, exemplified by such developments as the collating machine, which gave the impetus for the rapid rise of the business machine industry in the 1930's and 1940's, through microphotography, telecommunications, automatic scanning devices, and many other benchmark developments, the state of the art today might very well be less advanced.

The memory of the "early days" remains clear after nearly 50 years: a hard working inventive staff, highly motivated to make things work, ever searching for better, cheaper, faster ways to serve the public. Their legacy lives on today in the people they touched, who carry on after them.

Ida Merriam was Assistant Commissioner of Social Security's Office of Research and Statistics until she retired in 1972. After retirement, she returned to SSA as a special assistant to Commissioner Cardwell from 1973 until 1976.

IDA C. MERRIAM

"Celebrating a 50th Anniversary"

In the span of 50 years, Social Security has become one of the basic institutions of our society. It is no longer just another program; it is part of the supportive structure that makes a free and progressive society possible, of vital importance to millions and to the Nation.

Those of us who played some part in the development of that structure were fortunate. It was exciting and satisfying to work for the Social Security Board. I started to work in the Bureau of Research and Statistics in July, 1936. There were high points and low points in the next 40 years or so, but what I remember now is an overall drive and spirit and integrity of purpose. The 1935 Social Security Act was a major achievement, but it was admittedly incomplete. In recognition of that fact, it included a mandate to the Social Security Board to study and to make recommendations to the Congress, as to what more or what different needed to be done to achieve economic security for everyone.

The Social Security Board took very seriously the responsibility for study and analysis. Research was closely related to policymaking. The early Annual Reports of the Board were far different than the usual accounts of program management. The Board reported on the mammoth administrative task it was tackling successfully, but it reported also the questions that it regarded as most pressing, the research it had under way or planned and, later, the conclusions it drew from that research.

It is difficult today to realize how little detailed information there was in 1935 and through the 1940's and even the 1950's about the characteristics and circumstances of individuals and families. The Social Security program itself, as it grew, provided much information. The Census Bureau and other statistical agencies were encouraged to collect the kind of data we needed, and we undertook some major surveys ourselves in later years.

From the beginning, the scope of the research activities of the Social Security Board was broad. The Committee on Economic Security had turned to the experience of other countries to supplement what little information there was for the United States in 1935 with which to design a social insurance program. The Board continued to study other systems. In 1937 the Bureau of Research and Statistics published the first in what became a continuing series of reports describing Social Security programs throughout the world. The latest edition of that publication was released last year.

Once the Supreme Court had declared the Act to be constitutional, the 1939 amendments had added survivor benefits, the date for payment of benefits had been moved forward, and certain other changes were made, major attention was given to the design of the statistical system for old-age and survivor insurance, and for unemployment compensation and public assistance—then also administered by the Board—giving us now a continuing picture of program operations over almost 50 years. Studies of the feasibility of extending coverage of OASI to all paid employment laid the basis for later amendments. Groundbreaking studies of the fiscal capacity of the States had an influence on many Federal grant programs. As early as 1940, the first year benefits were payable, a small sample of OASI beneficiaries in three cities was interviewed to find out what additional income they had, if any, and how they were living. Similar surveys of beneficiaries were carried out over a period of years, and the results were used. For example, it became clear that widows were much worse off than other beneficiaries; in time, the widow's benefit was increased from 50 percent to 100 percent of the primary benefit.

In 1963, the Social Security Administration undertook the first major governmental survey of all persons aged 65 or over ever carried out in this country.

By then, it was no longer sufficient to know the situation of beneficiaries. It had become increasingly important to know how this compared with that of nonbeneficiaries and why there were still persons who did not qualify. Congressional Committees and Advisory Councils, among others, kept asking for more and more such information. Special surveys of new beneficiaries (a retirement history survey following a group from before they retired for 10 years to see how their health, income and other circumstances changed over time—these and repeated surveys of all aged persons) were used and brought respect for the research staff and for the Social Security Administration that supported and encouraged such work.

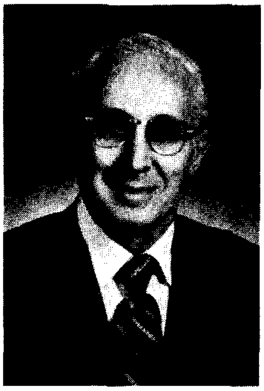
From the earliest days, the Board's vision led to support of another area of research. The important question, they thought, was not "how much is our program spending for a particular purpose?" but "what part of the income loss from retirement in old age, or death, or sickness and disability, is replaced by benefits from all existing programs, public and private?" To even begin to answer that question, one had first to estimate the income loss and then get information on payments under veterans programs, civil service, military retirement, railroad retirement, worker's compensation and private pensions and other private benefits. We worked with other agencies to develop comparable data from our diverse accounting systems. When necessary, we developed new statistical series.

The Social Security program itself introduced a new focus. For example, the Public Health Service has been collecting for some years, detailed data on morbidity—the number of days people were sick in bed or homebound. The concern for economic security led to an additional set of questions that the Public Health Service did not want to tackle. The Social Security Administration had been studying problems relating to disability insurance since the 1940's. In 1966, it mounted a major survey of disabled persons, the first in this country, to get information on the characteristics and circumstances of disabled persons, their remaining work ability and their sources of income. Subsequent surveys added to our knowledge of the many aspects of disability and rehabilitation.

In the health field, a great deal of the early research work related to measures of total expenditures for medical care (the much-quoted national health expenditure series) and the proportion covered by public funds, by private insurance and by direct consumer expenditures. It was the elaboration of these data to show separately expenditures for those over and under age 65—and the appalling lack of private insurance coverage for those age 65 and over—that led eventually to the proposal for hospitalization insurance for aged OASDI beneficiaries and to the enactment of Medicare.

Economic security implies also some measure of adequacy. What kind of earnings replacement guarantee does society want to give? To show some of the consequences of one or another benefit level, we constructed (and priced with the help of the Bureau of Labor Statistics) standard budgets for older people and later developed the poverty index applying to all age groups (now continued and published by the Census Bureau). Over the years, there was research on a variety of problems related to Social Security financing, the pros and cons of different tax sources, the impact of Social Security taxes on private savings, the importance of Social Security benefits in sustaining consumer purchasing power during economic downturns and thus hastening recovery. Through models and through other types of analysis, we tested the effects of alternative benefit formulas, different ways of adjusting to women's changing roles, and different assumptions as to what could happen to the economy as a whole in future years.

Research doesn't tell the policymaker what to do. It does give him a body of tested knowledge and an understanding of the probable consequences of alternative policy decisions. It takes strong and open-minded leadership to accept, publish and use research findings. For most of the 40 years that I worked in and then directed the research effort, there was a remarkable degree of continuing support by top administrators for research that, in a changing world, could help point the way toward the unchanging goal of economic security for all first laid out in the Social Security Act of 1935.



Robert J. Myers served as the Social Security Administration's Chief Actuary in 1947-70 and Deputy Commissioner in 1981-82. Since retiring in 1982, he served as Executive Director of the National Commission on Social Security Reform in 1982-83.

ROBERT J. MYERS

"Actuarial Reminiscences on Social Security over a Century— 50 Years Past and 50 Years Future"

Being of an actuarial bent of mind, my reminiscences about the Social Security program are replete with figures.

My association with the program began because of a very fortuitous set of circumstances. In June 1934, I was graduated from the University of Iowa as an eager actuarial student, armed with a Master's Degree but no job. In September, I received an offer to be a junior actuary with a governmental organization which was not at all familiar—the Committee on Economic Security. As I learned, the COES had been established to make studies underlying a possible Social Security program. All of this came about because my professor was a member of the Actuarial Advisory Committee of the COES. As he frankly told me, I was the nearest of the unemployed graduates to Washington, and so I might be interested in what would be only a 2-month job. As it turned out, the tenure extended somewhat longer.

The economic changes over the 50 years since the Social Security Act was enacted are perhaps best exemplified by the increases in salary levels. My initial salary was $1,620 per year, whereas currently the Social Security Administration is hiring people with similar qualifications at $17,824. Looking at the other end of the scale, the top actuarial position with the Social Security Board in 1936 paid $8,000, whereas currently the Chief Actuary is paid $68,700.

Also, look at the growth of the old-age, survivors, and disability insurance program over the years (actually, only "old-age" originally). It was anticipated initially that about 30 million persons would be in covered employment each year, whereas currently there are about 120 million. The number of monthly beneficiaries has increased from only about 200,000 in December 1940 (the first year when benefits were paid) to about 37 million in 1985.

As a junior actuary (and, in fact, the only one) for the COES, my responsibilities originally were to grind out projections of the total population of the United States, and the cost estimates for various plans being considered. This was at first done under the supervision of an experienced actuary, W. Rulon Williamson, although later the entire responsibility fell on me. I was duly impressed with the magnitude of the figures that I was cranking out—millions of people and even *billions* of dollars! In those days, the computations were made with electric rotary calculating machines, not electronic computers as now.

All of the projections made in 1934-35 extended out to that very distant future year of 1980. It was estimated that the balance in the trust fund (or, as it was then called, the Old-Age Reserve Account) would amount to $47 billion in 1980. At that time, this seemed an astronomical sum, because it was more than the National Debt. Even so, despite what is sometimes said, the program would not be on a completely fully-funded basis like private pension plans aim to do.

What was the actual experience? At the end of 1980, the OASI Trust Fund amounted to $23 billion, or only about half of the estimate. (Of course, there were many factors involved, so that complete comparability is by no means present—for example, inflation, expansion of coverage, and enlargement of the benefit structure.) In order to make the estimate look better, I might add the DI Trust Fund and the two Medicare trust funds, which bring the 1980 balance up to $45 billion—quite close to the estimate!

If we look at the actual outgo of the program in 1980 as compared with the original estimate, the picture is not nearly as good. The estimate was $4 billion, whereas the actual figure for OASI was $108 billion. On the other hand, if we consider total outgo as a percentage of taxable payroll, the estimate for the original Act looks extremely good. Such estimate for 1980 was 9.65 percent of payroll, while the actual OASI outgo rate was 9.36 percent of payroll. This is certainly the most valid comparison of actual versus estimated that can be made—and not merely because it makes the original actuarial estimates look better! Rather, such a cost rate indicates the relative impact of the program on the economy.

We should not, however, always be looking back, but rather we should consider the future as well. The intermediate (or Alternative II-B) cost estimate in the 1985 OASDI Trustees Report contains some interesting figures as to the great growth in the OASDI program that is likely in the second 50 years of operation. In 2035, an estimated 80 million persons will be beneficiaries in a typical month. This is somewhat more than double the present number of beneficiaries and, in fact, is almost two-thirds as large as the total population of all ages in 1935. Benefit outgo is estimated at $5 trillion in 2035, or about 25 times as large as in 1985. However, once again, dollar figures are not nearly as significant as relative ones. The outgo in 2035 as a percentage of payroll is estimated at 15.9 percent, as compared with 11.3 percent currently; this is a sizable increase, but yet one that should not cause financial problems as it is eased into over a 50-year period.

In summary, the OASDI program is now not only alive and well, but also its prospects for the future are excellent. The Medicare program has some financing problems in the next decade or so (and thereafter), but these can be solved—in the same manner as the Nation does for health-care costs for the working populace and their dependents. I have every reason to believe that both programs will be around 50 years hence in the same general form as they are today. They provide a suitable basic floor of economic protection and deserve to be maintained over the years.

Jo Anne B. Ross is SSA's Associate Commissioner for the Office of Family Assistance. She is responsible for the operation of the Nation's largest cash assistance welfare program, aid to families with dependent children (AFDC), as well as the low income home energy assistance and emergency repatriation programs.

JO ANNE B. ROSS

"AFDC—It's Our Birthday, too!"

A lot of people don't realize that among the Social Security Administration's many functions is administration of the aid to families with dependent children (AFDC) program. It was created in the original Social Security Act 50 years ago, so it's AFDC's birthday, too.

In creating the AFDC program, the Federal Government for the first time assumed responsibility for directly helping States provide for the economic security of the children identified as most vulnerable—those who become destitute when deprived of the support of a parent by virtue of death, desertion or incapacity.

Most importantly, the Act laid the foundation for encouraging the care of these needy, dependent children in their own homes or in the homes of relatives. The program offered financial assistance and other services to maintain and strengthen family life. The ultimate intent was to help parents or other relatives with whom the child was living attain the highest level of self-support and self-sufficiency possible.

Before AFDC was created, the most common way of caring for needy dependent children was to place them in institutions. Although some States had established programs for widows and mothers as early as 1911, they were inadequate to meet the needs resulting from the Great Depression of the 1930's.

But while Congress accepted the responsibility for helping to fund AFDC through grants-in-aid, it realized from the beginning that the program is primarily a State function, and, as far as was practical, had to operate within the State's financial resources and its approach to the problems of needy children.

Federal law and regulations set the framework for the program and some of its requirements, but States have considerable flexibility in the way they administer the program. For example, the need standard and level of benefits are determined by each State and vary widely across the Nation.

SSA's Office of Family Assistance provides Federal oversight and policy guidelines. Using a wide variety of methods, OFA assists States in formulating and improving their programs.

When the first grants to States for AFDC were made available in February 1936, only 12 States and the District of Columbia implemented the program. Their combined expenditure for that first month was $1.7 million for 140,286 children in 56,836 families. Eventually, all 50 States and the territories implemented AFDC.

Today, the program serves 7.2 million children a year. These children are part of 3.7 million families which receive $14.4 billion in benefits.

AFDC continues to evolve as a program to meet the needs of those it serves. Over the past 4 years, the changes have been made to better meet the program's statutory obligation to help the parents of needy children "attain or retain capability for their maximum self-support and personal independence."

This progress has come in the form of work opportunities designed to help recipients who are able to work to find jobs or become ready to enter the job market.

The WIN Demonstration program gives States the option of transferring responsibility for the Work Incentive Program from the employment agency to the Social Welfare agency in order to bring work activities closer to the individuals they serve.

The Community Work Experience Program places recipients in public or non-profit private agencies so that they can learn job skills and develop work histories and references to take to potential employers.

Job Search provides assistance to recipients who may have trouble looking for and finding jobs.

Grant Diversion allows States to divert the amount of money which would have been used for the AFDC grants to subsidize employment to give recipients a start in the work force.

All of these programs have been well received by welfare agencies and employers, but, more importantly, by the recipients themselves. Welfare recipients, like all Americans want to be self-sufficient and support their families. AFDC is working to give them a chance to reach that goal.