

APPENDIX IV. ILLUSTRATION OF OPERATIONS OF OLD-AGE AND SURVIVORS
INSURANCE TRUST FUND IN UNLIKELY EVENT OF SHARP REDUCTION
IN LEVEL OF ECONOMIC ACTIVITY, 1964-68

As indicated in the main body of this report, the forecasts appearing in tables 11-17 are based on the assumption that economic activity will expand normally throughout the period 1963-68. Estimates are presented in appendix table 3 to show the effects on the operations and status of the old-age and survivors insurance trust fund in the unlikely event of a sharp reduction in the level of economic activity during calendar years 1964-68, with a relatively high rate of unemployment during the entire period. Under this assumption, contributions would be lower and benefit payments higher than estimated under high employment conditions. For the purpose of this illustrative estimate, a severe decline in business activity is assumed to begin in the first half of calendar year 1964. The decline is assumed to be halted in early 1967, and a modest recovery takes place during that year and during 1968. These conditions result in a decline in the number of persons with taxable earnings under the old-age, survivors, and disability insurance program from 74.0 million in 1964 to 68.9 million in 1967, and then a rise to 69.2 million in 1968; taxable earnings, estimated at \$222 billion in calendar year 1964, decline to \$201 billion in calendar year 1966, and then increase to \$206 billion in calendar year 1968.

The lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. Under the hypothetical lower employment

Appendix Table 3.--Illustration showing the operations and status of the old-age and survivors insurance trust fund assuming the unlikely event of a sharply reduced level of economic activity, calendar years 1964-68

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
1964.....	\$14,524	\$518	\$56	\$15,496	\$317	\$423	-\$1,138	\$17,342
1965.....	13,897	452	56	17,025	322	435	-3,377	13,965
1966.....	14,869	392	56	18,190	330	470	-3,673	10,292
1967.....	15,158	314	56	19,062	339	500	-4,373	5,919
1968.....	17,014	211	56	19,802	346	515	-3,382	2,537

Note.--In interpreting the above estimates, reference should be made to the accompanying text which explains the underlying assumptions.

conditions, it is estimated that larger proportions of eligible workers would be obliged to leave employment, especially at ages 62-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under this assumption would considerably exceed that under high employment conditions. Moreover, it is expected that the average old-age (primary) benefit amount payable would be somewhat larger inasmuch as many of the more steadily employed, higher-paid older workers, who would not withdraw from employment under the high employment conditions, would not be in employment under these assumed conditions.

On the other hand, the larger the volume of employment, the larger will be the number of workers who are insured under the program and therefore the larger will be the number of deaths which will give rise to valid claims for survivor benefits. While favorable opportunities for employment will operate to increase somewhat the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivor benefits to forgo them by working. Therefore, the amount paid out for survivor benefits over the short-range future will not be affected significantly by variations in economic conditions.

