
Notes and Brief Reports

Social Security Beneficiaries Enrolled in the Direct Deposit Program, December 1986*

Since the introduction in 1975 of the direct deposit of Social Security benefit checks through an electronic funds transfer (EFT) system, the number of beneficiaries electing this method of payment has increased steadily. At the end of 1986, 16.5 million, or 44 percent of all beneficiaries, were enrolled in the direct deposit program. Ten years earlier the participation rate had been only 14 percent. The increase in the popularity of direct deposit can be directly attributed to increased public awareness of the many advantages that direct deposit has over receiving a check in the mail.

Although the EFT system in effect today was not introduced until 1975, a restricted form of direct deposit did exist before then. In November 1970, the direct deposit option became available to all beneficiaries who filed a "power-of-attorney" with the bank receiving the deposit. Until that date, direct deposit was allowed only in cases involving extenuating circumstances. Public Law 92-366, enacted on August 7, 1972, authorized Federal agencies to draw checks payable to financial institutions, thereby eliminating the need for a "power-of-attorney." This legislation also permitted the issuance of composite checks in situations where a single financial institution received monthly checks for more than one beneficiary. Thus, Public Law 92-366 cleared the way for the present direct deposit program.

In November 1973, a committee comprised of representatives of the Social Security Administration and the Department of the Treasury recommended the creation of a comprehensive direct deposit program, preferably accomplished through an EFT system. The consensus was that direct deposit would result in im-

proved service to beneficiaries and reduced administrative costs.¹

In 1977, 2 years after implementation of the EFT program, SSA and the Treasury Department contracted with Temple University to conduct a study of direct deposit.² The principal objectives of the study were to determine why Social Security beneficiaries had enrolled in, had not enrolled in, or had cancelled enrollment in the direct deposit program, and to determine whether any modifications were necessary. The study findings included the following:

- (1) Convenience was the primary reason for requesting direct deposit, followed by personal safety and physical problems involved in going to the bank.
- (2) Reasons for beneficiary withdrawal from the program included change of address, dissatisfaction with bank procedures, and the belief that it was more convenient to receive checks directly.
- (3) The wish to see and handle their checks personally was the principal reason given by beneficiaries for not electing the option.
- (4) A considerable percentage of beneficiaries was unaware that direct deposit was available.
- (5) Beneficiaries with higher educational attainment were more likely to elect direct deposit.

The data for this article, which were derived from a 10-percent sample of the Master Beneficiary Record—the major administrative data base for the Social

*Prepared by Joseph Bondar, Division of Statistics Analysis, Office of Research and Statistics, Office of Policy, Social Security Administration. Earlier information on this program can be found in "Social Security Beneficiaries Enrolled in the Direct Deposit Program, December 1983," *Social Security Bulletin*, Vol. 47, No. 5, pages 17-22.

¹Social Security Administration, Department of Health, Education, and Welfare, and Department of the Treasury, *Report on the Method of Paying Social Security Beneficiaries by Credit to Accounts in Financial Organizations*, November 1973.

²See Operations Planning and Research Staff, Department of the Treasury, *Direct Deposit of Social Security Payments: A Beneficiary Survey*, May 1979, and Office of Program Planning and Policy, Social Security Administration, Department of Health, Education, and Welfare, *Direct Deposit of Social Security Checks*, December 1978.

Security Administration—focus on the characteristics of those using direct deposit: age, sex, race, benefit amount, and State of residence.

Monthly Benefit

Regardless of the type of benefit received, persons using direct deposit had higher average monthly benefits than did those not using direct deposit. At the end of 1986, retired- and disabled-worker beneficiaries using direct deposit had average monthly benefit amounts of \$515.26 and \$526.59, respectively. The corresponding averages for beneficiaries not using direct deposit were \$463.25 and \$467.80 (table 3).

Table 4 further illustrates the relationship between the benefit level and enrollment in the direct deposit program. Beneficiaries with higher benefits enroll for direct deposit in higher proportions than do those receiving lower amounts. For example, only 23 percent of the beneficiaries receiving benefits of less than \$200 were enrolled for direct deposit. In comparison, the participation rate was 54 percent among beneficiaries receiving \$600 or more. White beneficiaries, however, participate in larger proportions at every benefit level than do black beneficiaries.

The proportion of women enrolled in the direct deposit program exceeded that of men at all benefit levels above \$200. Among beneficiaries with benefits of \$500.00-\$599.90, 57 percent of the women, compared with 49 percent of the men, used direct deposit. However, overall, the proportion of women enrolled (47 percent) was only slightly higher than that for men (45 percent). This difference reflects the fact that more women than men receive lower benefits. Consequently,

Demographic Characteristics

During the period 1976-86, the participation rate in the direct deposit program increased from 14.3 percent to 43.8 percent (table 1). The number of beneficiaries using direct deposit increased from 4.7 million to 16.5 million. During this period, the monthly amount of direct deposits rose from \$1.1 billion to \$7.9 billion.

As in the past, a higher proportion (49 percent) of retired-worker beneficiaries used direct deposit than did other beneficiary groups. The next highest proportion was found among widows, widowers, and parents (47 percent), followed by spouses of retired workers (42 percent). The high participation rate of these groups may be attributed to their ages rather than to the type of benefit received. Generally, the older the beneficiary the more likely he or she is to enroll in the program (table 2).

Minority beneficiaries were underrepresented among those using direct deposit. Only 21 percent of black beneficiaries and 28 percent of those of other races used direct deposit, compared with 47 percent of white beneficiaries.

Table 1.—Number and percent of beneficiaries using direct deposit, by type of beneficiary, 1976-86

Type of beneficiary	December 1976		December 1978		December 1980		December 1982 ¹		December 1984		December 1986 ¹	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total	4,716,111	14.3	7,947,425	23.0	10,393,684	29.2	12,602,920	35.2	14,851,758	40.7	16,496,270	43.8
Retired workers and dependents	3,374,514	16.3	5,617,632	25.5	7,429,390	32.0	9,284,770	38.2	11,126,146	43.7	12,504,890	47.2
Retired workers	2,908,752	16.9	4,871,222	26.5	6,498,125	33.2	8,185,050	39.5	9,860,541	45.0	11,138,520	48.6
Wives and husbands	424,847	14.7	677,096	22.7	847,968	28.1	1,013,560	33.5	1,180,875	38.7	1,283,450	41.6
Children	40,915	6.3	69,314	10.5	83,297	13.0	86,160	15.4	84,730	17.8	82,920	18.4
Disabled workers and dependents	449,465	9.7	818,034	16.8	990,721	21.2	993,770	24.9	1,055,081	27.6	1,111,010	27.9
Disabled workers	325,395	12.2	597,670	20.8	735,609	25.7	773,420	29.6	834,894	32.2	891,270	32.8
Wives and husbands	37,669	7.9	69,037	14.0	80,040	17.3	72,810	19.8	67,814	22.3	64,950	21.7
Children	86,401	5.8	151,327	10.1	175,072	12.9	147,540	14.7	152,373	16.5	154,790	16.1
Survivors	875,478	11.7	1,490,166	19.6	1,952,234	25.7	2,307,020	31.1	2,655,552	37.0	2,871,210	40.1
Widows, widowers, and parents	605,937	15.1	1,032,043	24.4	1,394,436	31.5	1,730,170	37.6	2,082,735	43.5	2,320,640	47.0
Widowed mothers and fathers	54,153	9.4	93,523	16.2	115,192	20.5	120,320	23.4	113,227	29.6	100,040	28.4
Children	215,388	7.4	364,600	13.1	442,606	17.0	456,530	19.7	459,590	22.9	450,530	24.1
Special age-72	16,654	8.9	21,593	16.1	21,339	23.0	17,360	28.1	14,979	37.1	9,160	37.6

¹Based on 10-percent sample.

Table 2.—Number and percent of beneficiaries and average monthly benefit amounts, by direct deposit status, age, sex, and race, December 1986

[Based on 10-percent sample]

Age, sex, and race	All beneficiaries		Direct deposit status					
			Using			Not using		
	Number	Average monthly amount	Number	Percent	Average monthly amount	Number	Percent	Average monthly amount
Total	37,635,580	\$438.62	16,496,270	43.8	\$480.34	21,139,310	56.2	\$406.06
Age								
Adults	34,308,980	455.70	15,799,500	46.1	487.34	18,509,480	53.9	428.69
Younger than 30.....	187,010	306.36	34,290	18.3	338.90	152,720	81.7	299.05
30-39	582,290	377.37	159,300	27.4	427.19	422,990	72.6	358.61
40-49	672,510	424.26	188,840	28.1	479.25	483,670	71.9	402.79
50-59	1,098,710	450.87	338,320	30.8	495.75	760,390	69.2	430.91
60-69	13,051,020	431.66	5,629,200	43.1	459.35	7,421,820	56.9	410.65
70-79	12,731,770	491.13	6,475,100	50.9	519.17	6,256,670	49.1	462.12
80 or older.....	5,985,670	449.45	2,974,450	49.7	475.50	3,011,220	50.3	423.73
Children	3,326,600	262.46	696,770	20.9	321.57	2,629,830	79.1	246.79
Sex								
Men	13,974,020	546.18	6,283,950	45.0	579.32	7,690,070	55.0	519.10
Younger than 30.....	90,390	353.58	15,530	17.2	383.97	74,860	82.8	347.27
30-39	250,190	482.61	67,220	26.9	530.65	182,970	73.1	464.96
40-49	315,560	546.69	90,730	28.8	598.12	224,830	71.2	525.93
50-59	612,510	544.86	193,790	31.6	585.73	418,720	68.4	525.95
60-69	5,573,130	529.39	2,404,400	43.1	557.76	3,168,730	56.9	507.87
70-79	5,215,850	585.06	2,605,480	50.0	614.94	2,610,370	50.0	555.23
80 or older.....	1,916,390	506.93	906,800	47.3	537.87	1,009,590	52.7	479.15
Women	20,334,960	393.52	9,515,550	46.8	426.60	10,819,410	53.2	364.43
Younger than 30.....	96,620	262.18	18,760	19.4	301.60	77,860	80.6	252.68
30-39	332,100	298.09	92,080	27.7	351.67	240,020	72.3	277.54
40-49	356,950	316.03	98,110	27.5	369.32	258,840	72.5	295.83
50-59	486,200	332.46	144,530	29.7	375.10	341,670	70.3	314.43
60-69	7,477,890	358.82	3,224,800	43.1	385.99	4,253,090	56.9	338.22
70-79	7,515,920	425.95	3,869,620	51.5	454.69	3,646,300	48.5	395.45
80 or older.....	4,069,280	422.39	2,067,650	50.8	448.15	2,001,630	49.2	395.77
Race								
White	33,303,930	449.57	15,538,530	46.7	484.01	17,765,400	53.3	419.44
Black	3,562,840	353.81	745,030	20.9	415.04	2,817,810	79.1	337.62
Other	768,810	357.32	212,710	27.7	440.55	556,100	72.3	325.49

¹Includes adult disabled children.

since persons with lower benefits elect direct deposit less frequently than do other beneficiaries, the overall participation rate for women is reduced.

State of Residence

At the end of 1986, more than 60 percent of the beneficiaries in Arizona, Florida, Oregon, and Washington were enrolled in the direct deposit program

(table 5). Eleven other States had a participation rate exceeding 50 percent. Ten of the 15 States with a participation rate of 50 percent or more were in the West geographic region, as defined by the Bureau of the Census (chart 1). In contrast, 13 of the 15 States with a participation rate of less than 40 percent were in the South.³

³Louisiana, with a participation rate of 27 percent, was the only State with a participation rate of less than 30 percent.

Table 3.—Number and percent of beneficiaries and average monthly benefit amounts, by type of beneficiary and direct deposit status, December 1986

[Based on 10-percent sample]

Type of beneficiary	All beneficiaries		Direct deposit status					
			Using			Not using		
	Number	Average monthly amount	Number	Percent	Average monthly amount	Number	Percent	Average monthly amount
Total	37,635,580	\$438.62	16,496,270	43.8	\$480.34	21,139,310	56.2	\$406.06
Retired workers and dependents	26,474,380	456.10	12,504,890	47.2	488.56	13,969,490	52.8	427.05
Retired workers	22,938,810	488.50	11,138,520	48.6	515.26	11,800,290	51.4	463.25
Wives and husbands	3,084,980	251.92	1,283,450	41.6	272.59	1,801,530	58.4	237.19
Children	450,590	204.48	82,920	18.4	244.30	367,670	81.6	195.50
Disabled workers and dependents	3,979,400	376.74	1,111,010	27.9	456.67	2,868,390	72.1	345.78
Disabled workers	2,718,860	487.07	891,270	32.8	526.59	1,827,590	67.2	467.80
Wives and husbands	299,340	130.94	64,950	21.7	156.48	234,390	78.3	123.86
Children	961,200	141.21	154,790	16.1	180.04	806,410	83.9	133.76
Survivors	7,157,420	409.37	2,871,210	40.1	454.78	4,286,210	59.9	378.95
Widows, widowers, and parents	4,826,040	444.26	2,287,530	47.4	473.76	2,538,510	52.6	417.67
Disabled widows and widowers	106,360	319.34	33,110	31.1	341.25	73,250	68.9	309.44
Widowed mothers and fathers	351,960	338.95	100,040	28.4	376.77	251,920	71.6	323.93
Children	1,873,060	337.83	450,530	24.1	384.06	1,422,530	75.9	323.18
Special age-72	24,380	139.72	9,160	37.6	140.11	15,220	62.4	139.48

Chart 1.—Percent of beneficiaries using direct deposit, December 1986

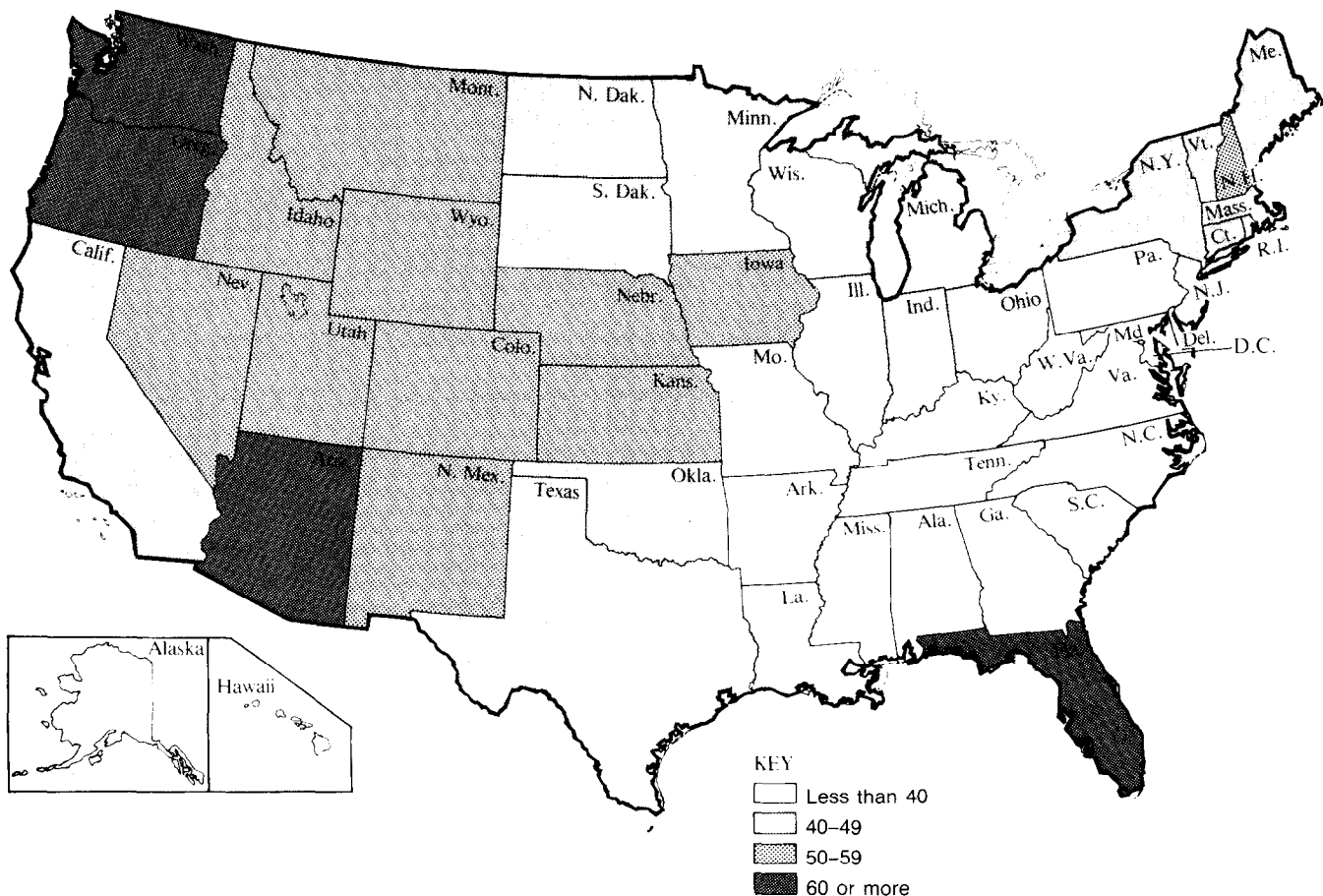


Table 4.—Number and percent of beneficiaries using direct deposit, by monthly benefit amount, race, and sex, December 1986

[Based on 10-percent sample]

Monthly benefit amount	Total ¹		White		Black	
	Number	Percent of all beneficiaries	Number	Percent of all beneficiaries	Number	Percent of all beneficiaries
Total	16,496,270	43.8	15,538,530	46.7	745,030	20.9
Less than \$200.00	924,710	23.3	823,310	26.7	78,530	11.1
\$200.00-\$299.90	2,401,720	36.5	2,221,510	39.7	143,650	17.1
\$300.00-\$399.90	2,646,310	40.7	2,451,910	43.5	155,300	21.1
\$400.00-\$499.90	2,862,620	46.4	2,693,910	48.6	134,000	25.7
\$500.00-\$599.90	3,526,150	51.9	3,377,220	53.5	115,130	29.1
\$600.00 or more	4,134,760	54.4	3,970,670	55.7	118,420	32.7
Men, total	6,283,950	45.0	5,944,930	47.6	252,290	21.0
Less than \$200.00	145,270	28.9	132,470	32.4	9,340	12.8
\$200.00-\$299.90	354,760	31.3	319,370	34.8	26,890	15.5
\$300.00-\$399.90	517,100	33.1	467,170	36.7	38,930	16.3
\$400.00-\$499.90	832,100	40.4	773,670	43.3	45,550	20.1
\$500.00-\$599.90	1,671,880	48.8	1,597,370	50.8	56,280	24.4
\$600.00 or more	2,762,840	52.2	2,654,880	53.6	75,300	29.1
Women, total	9,524,080	46.7	9,017,760	49.1	401,390	23.8
Less than \$200.00	613,680	27.9	559,820	31.0	41,660	13.1
\$200.00-\$299.90	1,886,390	40.2	1,771,490	43.1	92,050	18.7
\$300.00-\$399.90	1,978,920	45.4	1,857,760	47.6	97,130	24.8
\$400.00-\$499.90	1,918,330	51.1	1,822,470	52.6	76,660	31.6
\$500.00-\$599.90	1,786,350	56.6	1,719,130	57.6	52,920	36.9
\$600.00 or more	1,340,410	60.4	1,287,090	61.3	40,970	42.1
Children, total ²	688,240	21.0	575,840	23.5	91,350	13.5
Less than \$200.00	165,760	13.0	131,020	15.0	27,530	8.6
\$200.00-\$299.90	160,570	21.0	130,650	23.5	24,710	14.2
\$300.00-\$399.90	150,290	25.8	126,980	27.7	19,240	18.6
\$400.00-\$499.90	112,190	31.0	97,770	32.6	11,790	23.0
\$500.00 or more	99,430	33.3	89,420	34.0	8,080	28.2

¹Includes persons of other races.

²Data by sex not available for children.

Technical Note

The data for this study were derived from a 10-percent sample of the Master Beneficiary Record (MBR) of Social Security beneficiaries receiving benefits in December 1986. A total of 3,763,558 records in current-payment status as of December 1986 composed the sample for this study.

Estimates based on sample data can be expected to differ from figures that would have been obtained had the entire beneficiary population been used. The sample selected for this study is one of a large number of similar probability samples of the same size that, by chance, might have been selected under the same specifications. Each of the possible samples would yield somewhat different sets of results.

One measure of sampling error, summarizing the deviations of individual sample estimates from the average of all possible samples, is called the standard error. The standard error may be used to define confidence intervals or ranges that would have a specified probability of including the average result of all possible samples. Approximately 68 percent of all possible probability samples selected with the same specifications will give estimates within one standard error of the figure obtained from a compilation of all records. Similarly, about 95 percent will give estimates within two standard errors and 99 percent will give estimates within two and one-half standard errors.

Since this study contains a large number of estimates, it is not practical to display the standard error for each one. Estimated standard errors associated

Table 5.—Number and percent of beneficiaries and average monthly benefit amounts, by State, rank, and direct deposit status, December 1986

[Based on 10-percent sample]

State	All beneficiaries			Direct deposit status					
	Rank ¹	Number	Average monthly amount	Using			Not using		
				Number	Percent	Average monthly amount	Number	Percent	Average monthly amount
Total	37,635,540	\$438.62	16,496,270	43.8	\$480.34	21,139,270	56.2	\$406.06
Alabama	48	668,030	388.64	216,230	32.4	449.82	451,800	67.6	359.36
Alaska	39	27,570	435.44	10,440	37.9	473.24	17,130	62.1	412.40
Arizona	3	515,990	447.70	323,340	62.7	478.04	192,650	37.3	396.77
Arkansas	37	449,390	379.65	175,370	39.0	432.56	274,020	61.0	345.78
California	16	3,456,590	451.34	1,717,340	49.7	479.50	1,739,250	50.3	423.54
Colorado	13	374,530	431.61	192,890	51.5	456.32	181,640	48.5	405.36
Connecticut	26	504,280	495.43	224,250	44.5	526.41	280,030	55.5	470.63
Delaware	17	96,730	464.89	47,910	49.5	503.28	48,820	50.5	427.21
District of Columbia	43	81,430	388.27	28,040	34.4	423.42	53,390	65.6	369.81
Florida	1	2,381,100	448.64	1,514,290	63.6	476.38	866,810	36.4	400.17
Georgia	42	817,970	395.74	290,180	35.5	453.22	527,790	64.5	364.13
Hawaii	25	133,720	431.86	59,550	44.5	469.92	74,170	55.5	401.29
Idaho	5	147,070	431.90	86,060	58.5	458.24	61,010	41.5	394.73
Illinois	33	1,701,190	472.44	733,170	43.1	505.53	968,020	56.9	447.38
Indiana	32	868,050	461.23	377,580	43.5	494.32	490,470	56.5	435.76
Iowa	15	511,030	446.12	258,740	50.6	469.80	252,290	49.4	421.83
Kansas	10	393,680	451.53	208,370	52.9	473.47	185,310	47.1	426.86
Kentucky	49	617,440	387.75	198,780	32.2	445.80	418,660	67.8	360.20
Louisiana	51	609,880	389.38	163,730	26.8	456.95	446,150	73.2	364.59
Maine	34	204,570	410.26	85,950	42.0	446.88	118,620	58.0	383.73
Maryland	40	574,890	449.22	212,280	36.9	481.42	362,610	63.1	430.36
Massachusetts	21	941,340	457.24	438,130	46.5	489.49	503,210	53.5	429.17
Michigan	20	1,426,670	470.09	681,130	47.7	502.62	745,540	52.3	440.37
Minnesota	19	638,980	433.61	306,270	47.9	465.25	332,710	52.1	404.48
Mississippi	45	433,880	357.26	144,290	33.3	429.68	289,590	66.7	321.17
Missouri	31	876,830	431.06	383,930	43.8	461.41	492,900	56.2	407.41
Montana	6	129,150	431.18	72,140	55.9	458.56	57,010	44.1	396.54
Nebraska	12	260,780	438.58	134,690	51.6	462.97	126,090	48.4	412.52
Nevada	9	129,970	455.21	70,110	53.9	477.03	59,860	46.1	429.66
New Hampshire	11	151,930	453.74	79,560	52.4	479.18	72,370	47.6	425.78
New Jersey	36	1,189,360	490.13	475,550	40.0	523.18	713,810	60.0	468.11
New Mexico	14	193,290	401.13	98,070	50.7	449.71	95,220	49.3	351.09
New York	30	2,802,140	478.22	1,228,540	43.8	514.97	1,573,600	56.2	449.54
North Carolina	46	978,710	402.15	325,190	33.2	465.84	653,520	66.8	370.46
North Dakota	24	108,180	407.68	48,850	45.2	436.48	59,330	54.8	383.97
Ohio	35	1,724,370	452.29	691,100	40.1	486.53	1,033,270	59.9	429.39
Oklahoma	29	506,360	416.09	223,300	44.1	454.82	283,060	55.9	385.53
Oregon	2	458,340	456.15	289,070	63.1	477.43	169,270	36.9	419.83
Pennsylvania	38	2,163,110	464.19	834,300	38.6	498.30	1,328,810	61.4	442.77
Rhode Island	27	176,460	452.98	78,240	44.3	486.52	98,220	55.7	426.26
South Carolina	44	496,560	398.48	169,560	34.1	464.06	327,000	65.9	364.47
South Dakota	18	124,290	403.63	59,820	48.1	430.62	64,470	51.9	378.59
Tennessee	47	777,280	397.17	255,710	32.9	461.11	521,570	67.1	365.83
Texas	28	2,004,720	413.82	887,810	44.3	459.46	1,116,910	55.7	377.54
Utah	7	169,070	445.80	93,990	55.6	470.84	75,080	44.4	414.46
Vermont	23	85,010	433.42	38,590	45.4	463.19	46,420	54.6	408.67
Virginia	41	778,350	411.32	279,890	36.0	458.59	498,460	64.0	384.77
Washington	4	654,180	462.62	403,560	61.7	483.75	250,620	38.3	428.58
West Virginia	50	359,420	415.41	115,570	32.2	464.23	243,850	67.8	392.28
Wisconsin	22	805,130	456.33	366,890	45.6	490.20	438,240	54.4	427.98
Wyoming	8	56,150	443.05	31,020	55.2	465.68	25,130	44.8	415.11
Puerto Rico	53	548,670	254.62	37,020	6.7	385.18	511,650	93.3	245.18
Abroad ²	52	351,730	313.46	29,890	8.5	406.92	321,840	91.5	304.78

¹Ranked by percentage of direct depositors.

foreign countries.

²Includes American Samoa, Guam, the Virgin Islands, and

with tabulated counts and proportions were used to fit regression curves to produce estimates of approximate standard errors. The standard errors presented provide a general order of magnitude of the sampling variability of the estimates rather than the standard error for a particular estimate.

The following tabulation presents approximate standard errors for the estimated number of persons from

Size of estimate (inflated)	Standard error
100	30
500	70
1,000	100
5,000	225
10,000	300
50,000	700
100,000	1,000
500,000	2,200
1,000,000	3,200
2,000,000	4,300
3,000,000	5,300
5,000,000	6,500
10,000,000	8,500
20,000,000	9,300

the 10-percent file. Linear interpolation may be used to obtain values not shown. Table 6 contains standard errors of estimated percentages, by size of base.

Table 6.—Standard errors of estimated percentage of beneficiaries

Size of base (inflated)	Estimated percentage				
	2 or 98	5 or 95	10 or 90	25 or 75	50
500	1.9	3.0	4.1	5.9	6.8
1,000	1.3	2.1	2.9	4.1	4.8
2,500	.8	1.3	1.8	2.6	3.0
5,000	.6	.9	1.3	1.8	2.1
10,000	.4	.6	.9	1.3	1.5
50,000	.2	.3	.4	.6	.7
100,000	.1	.2	.3	.4	.5
1,000,000	(¹)	.1	.1	.1	.2
5,000,000	(¹)	(¹)	(¹)	.1	.1
10,000,000	(¹)	(¹)	(¹)	(¹)	.1
50,000,000	(¹)	(¹)	(¹)	(¹)	(¹)

¹ Less than 0.05 percent.

Journal Abstracts

Beginning with this issue, the **Social Security Bulletin** will periodically reprint abstracts of articles from other professional journals. The abstracts that follow, listed by date of publication, are reprinted as they appeared in the cited sources.

“Justifying Public Provision of Social Security,” Laurence J. Kotlikoff, **Journal of Policy Analysis and Management**, Summer 1987, Vol. 6, No. 4, pages 674-696.

The enormous expansion of the Social Security system over the last four decades has left the government very heavily involved in determining the savings and insurance of American households. While the growth of Social Security has been very substantial, it has also been gradual; this may explain the lack of focused debate on the pros and cons of government intervention in private saving and insurance decisions. This paper discusses the rationale for government intervention in this area as well as the evidence supporting the need for such intervention. While arguing the

case for government provision of Social Security, the paper also points out significant shortcomings in the current system and suggests several needed reforms.

“Intercohort and Intracohort Redistribution Under Old Age Insurance: The 1962-1972 Retirement Cohorts,” Charles W. Meyer and Nancy L. Wolff, **Public Finance Quarterly**, July 1987, Vol. 15, No. 3, pages 259-281.

Although Social Security Old Age Insurance (OAI) is similar in some respects to a private annuity, benefits typically contain large intercohort and intracohort redistribution components. The former are declining over time but the latter are a permanent feature of the program. This study disentangles the actuarially fair and redistributive elements in OAI benefit payments to a sample of individuals from the 1962-1972 retirement cohorts. Incidence of benefits, actuarially fair annuity payments, and redistributive components across income groups are presented in tabular form. Regression analysis is used to estimate the relationship between redistribution components, as a percentage of benefits, and various characteristics of the retirement population.