

Notes and Brief Reports

Trust Fund Operations in 1948

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

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

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

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

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

Investments

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

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

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

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

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

¹ Par value.

² Based on par value of securities.

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

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

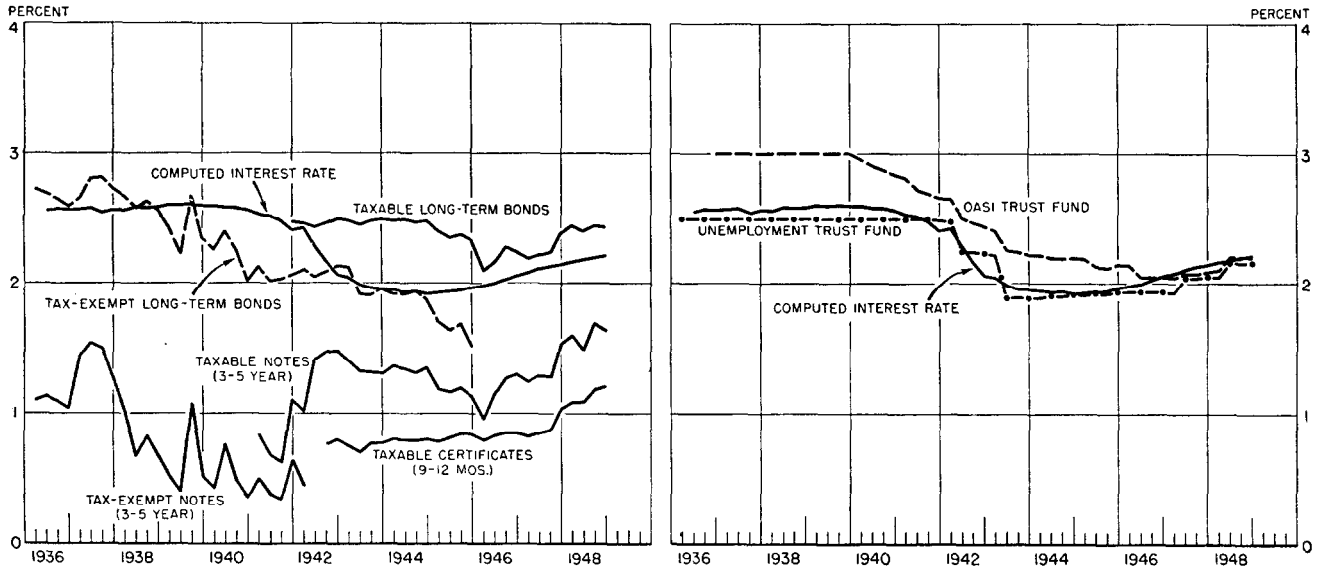
Table 1.—Changes in social security trust fund investments and the interest-bearing public debt, as of the end of December, 1945–48

[Amounts in millions]

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

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

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



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

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

The old-age and survivors insur-

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

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

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

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

In November 1947 the Treasurer be-

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

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

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

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

[Amounts in millions]

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

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

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

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Recent Publications in the Field of Social Security*

Social Security Administration

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

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

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

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

General

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued on page 18)

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

[In thousands]

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

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

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

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

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

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

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

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

[In thousands]

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

¹ Excludes unexpended balance of appropriations for preceding fiscal year.

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

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

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

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

⁶ Excludes grants for employment service administration.

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

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

⁹ Estimated expenditures as shown in 1948-49 budget.

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

TRUST FUNDS

(Continued from page 15)

Interest Rates

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

next lower than the average interest rate.

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

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

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

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