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OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 30, 1976

MEMORANDUM FOR RON NESSEN

FROM: JACK VENEMAN

A handwritten signature in black ink, appearing to be "J Veneman", written over the printed name "JACK VENEMAN".

I noticed during a recent press conference a question was thrown at you about Germans being excluded from social security.

Since I was confused, I asked Bruce Cardwell what it was all about. He sent the attached fact sheet which you may already have.

Facts on Question Asked of Ron Nessen: What is Being Done About the 60,000 People in the Federal Republic of Germany who are being Excluded from Social Security?

It is not entirely clear what this question pertains to. Various sources have been contacted, including the German Embassy, and the only thing that anyone has been able to come up with are certain provisions of a German law enacted in 1972.

Prior to 1972, anyone who had contributed to the German social security system for 5 years or more could make voluntary contributions to the system for current periods to enhance his social security protection and benefit rights. The law was changed in 1972 to eliminate many of these voluntary contribution rights. In general, voluntary contribution was eliminated unless: (1) the individual was a German citizen or lived in Germany; or (2) unless voluntary contributions were authorized in a totalization agreement with the individual's country of citizenship. A special provision was added, however, giving new rights to victims of the Nazi regime. These individuals were provided the right to make lump-sum voluntary contributions to retroactively cover any periods from 1933 to 1945 during which they did not have coverage. The provision required that the individual be residing in Germany and had an expiration date of December 31, 1975.

As best we can determine, the question asked of Mr. Nessen is related to the December 31, 1975 deadline. Some naturalized Americans in this category claim that they were out of Germany and so could not make the contributions. Germany Embassy staff advises that the number of people involved in the United States is probably less than 1,000. Dr. Arendt, the German Minister of Labor and Social Concerns, has told the Secretary of Health, Education, and Welfare and the Commissioner of Social Security that when the U.S.-German totalization agreement (authorization for which is provided in a bill now pending before the U.S. Congress) has been ratified, Germany will be very receptive to an amendment of the agreement to provide relief for the Americans who have been disadvantaged. The totalization agreement, itself, would not disadvantage anyone, and would restore rights to make voluntary contributions which had been cut off by the 1972 law.

Q. What is the purpose of this morning's meeting on Social Security?

A. The President is meeting with the Trustees of Social Security (Secretaries of HEW, Labor, and the Treasury) and his senior advisers on a number of Social Security matters. He called the meeting because of his continuing concern for Social Security and his determination to preserve the integrity of the system.

If additional information is needed:

The President proposed a .6 percent payroll tax increase in December, but there appears to be no chance that Congress will act on it this year. Therefore, the financial drain on the system continues. In addition, there are major long-term forces which pose a threat to the financial integrity of the system. These will also be a subject for discussion.

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May 6, 1975

SUBJECT:

WEINBERGER TO PRESENT LEGISLATIVE
PROPOSALS ON REVISING SOCIAL
SECURITY SYSTEM

James B. Cardwell, the Social Security Administrator, yesterday released the 1975 report of the Board of Trustees for the Social Security Trust Fund. The report shows that Social Security payments in calendar year 1975 will exceed income from payroll taxes by \$3 billion. Mr. Cardwell said the Administration was preparing a legislative proposal that could be announced when Secretary Weinberger testifies May 20 before the House Ways and Means Committee.

Will Secretary Weinberger present legislative proposals to revise the Social Security System on May 20?

GUIDANCE: HEW is looking at various methods of improving and restoring the soundness of the Social Security program. They have submitted a preliminary paper to the President, and will continue to work on possible legislative proposals.

However, it is doubtful that any legislative proposals or recommendations will be ready for presentation to the Congress by May 20. HEW will continue to review this entire area and will be making recommendations to the President shortly.

JGC

SOCIAL SECURITY

Question:

Given the cost of living these days, how does the Administration justify holding down social security benefit increases for our Nation's senior citizens to just 5 percent?

Answer:

Everyone is aware that social security benefits have been rising steadily over the past several years. In fact, they have increased at a rate that has more than equaled the increase in the cost of living in the Nation. By this June, the cost of living will have increased 51 percent since 1970 while average social security benefits will have gone up 77 percent. You are all aware, too, that something must be done either to slow down the rate of benefit increases or find some new ways of financing the fund payout procedures. This is a critical national question.

2/7/75
PGN

Date: February 7, 1975

MEMORANDUM FOR: SECRETARY SIMON

From: Edgar R. Fiedler *ERF*

Subject: Social Security and Consumer Prices

Because of the widespread interest that has been expressed in this issue recently, we have compared the historical record, from 1960 to date, of increases in social security retirement benefits and consumer prices. These data are shown on the chart and Table 1 attached.

For the 14-year period as a whole, the standard (maximum) monthly social security retirement benefit, as increased over the years through legislative action, has just about doubled whereas the consumer price index has risen only two-thirds as much. Average social security retirement benefits have increased more than twice as fast as the consumer price index -- 141.6 percent vs. 66.5 percent. (The average benefit series rises more rapidly than the legislated increase in a standard benefit, because it includes compositional effects such as more people retiring with a larger earnings base.) For almost every subperiod within these years, social security benefits (on either basis) have increased faster than consumer prices, with the single exception of the 1973 to 1974 comparison.

This comparison, however, has been challenged on the grounds that the consumer price index does not properly reflect the change in prices paid by low-income retired persons, especially in the last two years. Unfortunately, no price index designed expressly for low-income people is available. We were, however, able to obtain information on the expenditure pattern of low-income retired families for the years 1960 and 1961 (the same years as the survey now used for the consumer price index). Working from that, we were able to compute a very rough price index that can be considered more applicable to low-income retired families.

I hasten to add that this series should not be regarded as a good price index for low-income retired people. The expenditure patterns were not available to us in any significant detail, for example, and the data on prices were not collected in an appropriate

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	Fiedler					
Initials / Date	/	/	/	/	/	/

geographic pattern according to where retired people live. Consequently, this index should be used only with great caution, and with a full understanding of its limitations.

The chart and Table 1 show that these two price indexes have moved in very much a parallel fashion -- surprisingly so -- throughout the entire time period. There is a slight difference from 1973 to 1974, but even in that instance the impression is more one of similarity than of great deviation. This recent difference is caused primarily by the heavier proportion of expenditures for food made by low-income retired families. The expenditure patterns of this group and the typical urban working family are compared in Table 2. Energy cannot be broken out as a separate entity, but in view of the much smaller proportion of income spent by low-income retired families for transportation, we have to assume that energy expenditures are less for the retired group than for the typical family.

When we compare the social security increases to the computed price index for low-income retired families we see essentially the identical pattern mentioned above. The increases in retirement benefits are much greater than the increases in prices for all periods except 1973-74.

Attachments

Table 1
Social Security Benefits and Consumer Prices, 1960-74

Year	Social Security Maximum Monthly Benefit Adjusted for <u>Legislated Increases</u> ^{1/}	Social Security Average Monthly Retirement Benefits ^{2/}	Consumer Price Index 1967=100	Computed Index for Low-Income Retired Families ^{3/} 1967=100
1960	\$116.00	\$73.40	88.7	88.3
1961	116.00	74.85	89.6	89.3
1962	116.00	75.92	90.6	90.3
1963	116.00	76.54	91.7	91.5
1964	116.00	77.22	92.9	92.7
1965	124.20	80.75	94.5	94.2
1966	124.20	84.14	97.2	97.3
1967	124.20	84.86	100.0	100.0
1968	139.10	92.12	104.2	104.2
1969	140.40	99.63	109.8	109.9
1970	161.50	109.25	116.3	116.5
1971	177.70	125.14	121.3	121.5
1972	189.60	147.26	125.3	125.3
1973	213.30	164.38	133.1	134.7
1974	230.80	177.32	147.7	150.5

Percentage Increases

1960-74	99.0	141.6	66.5	70.4
1965-74	85.8	119.6	56.3	60.0
1970-74	42.9	62.3	27.0	29.2
1971-74	29.9	41.7	21.8	23.9
1972-74	21.7	20.4	17.9	20.1
1973-74	8.2	7.9	11.0	11.7

^{1/} For male retiree at age 65 earning no additional income. Where legislated increase occurred other than in January, annual average is weighted accordingly.

^{2/} Average benefits of retired workers 65 and over (aged 62-64 beginning 1956 for women and 1961 for men) in current-payment status at end of period. Annual figures are averages of year-end values. Series rises not only because of legislated increases in benefits but also because of changing composition, e.g., over time people have been retiring with a larger earnings base, etc.

^{3/} Based on prices of 12 broad expenditure categories of retired families with annual income from \$2,000 to \$3,000 in 1960-61.

Table 2

COMPARISON OF FAMILY EXPENDITURE PATTERNS

Category	Family of low-income retired persons	Family of typical urban worker
	(-----Percent-----)	
1. Food	22.0	22.4
2. Alcohol	1.4	2.6
3. Tobacco	1.6	1.9
4. Shelter	19.0	20.1
5. Utilities	7.7	5.3
6. Household operations and furnishings	9.1	7.8
7. Apparel and upkeep	5.5	10.6
8. Transportation	6.9	13.9
9. Medical	11.9	5.7
10. Personal care	2.7	2.8
11. Reading and recreation	3.2	5.9
12. Miscellaneous	2.0	.9
Total	100.0	100.0

Note: Data are derived from an expenditure survey taken in 1960-61. The expenditure patterns shown above for a "typical urban worker" are those used (in greater detail) in calculating the Consumer Price Index. Annual income of low-income retired families shown here was \$2,000-3,000 in 1960-61.

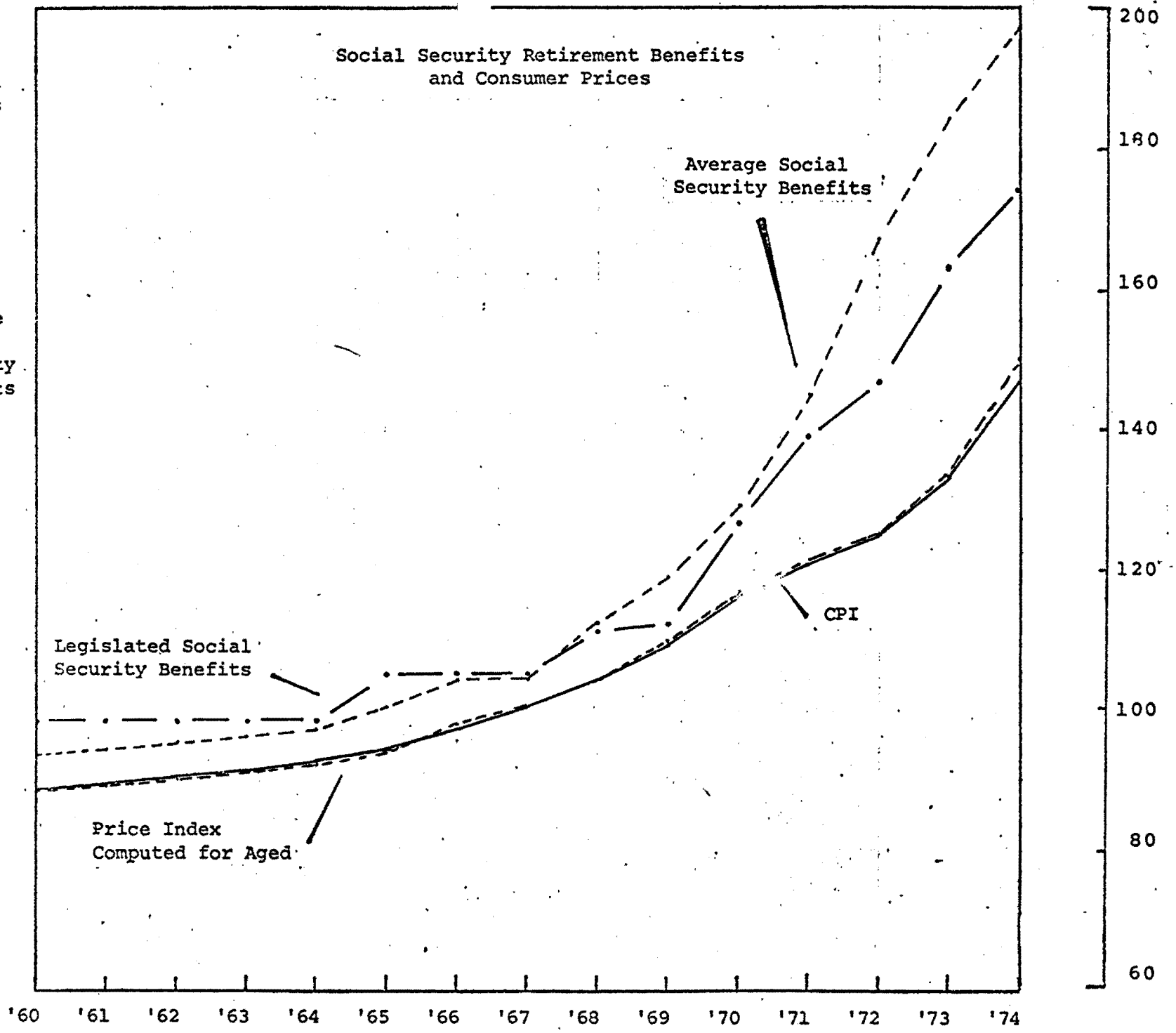
Social Security Retirement Benefits and Consumer Prices

Legislated Social Security Benefits

\$240
210
180
150
120
60

Average Social Security Benefits

\$120
100
80
60



'60 '61 '62 '63 '64 '65 '66 '67 '68 '69 '70 '71 '72 '73 '74

February 6, 1975

SUBJECT:

SOCIAL SECURITY REVIEW

Is the President planning to review and restructure the entire Social Security System?

GUIDANCE: The President is very much interested in the viability of the Social Security System, and in fact, had a meeting on Social Security prior to his December trip to Vail. At that time, Secretary Weinberger, along with the current Social Security Commissioner, James B. Cardwell, and the President's Economic Advisors, Seidman and Greenspan, held a meeting to discuss the Social Security System.

The President now is awaiting the arrival of the report of the Advisory Council on Social Security. It is expected that that report will arrive at the White House fairly soon and then will be reviewed by the President and his staff.

We would expect that the Administration will be making recommendations to the President in the weeks ahead.

JGC

January 20, 1975

SUBJECT: SOCIAL SECURITY ADVISORY COUNCIL
REVERSES ITSELF

The Social Security Advisory Council yesterday reversed itself and voted 9 to 4 to recommend financing of Medicare hospital benefits out of Federal income taxes rather than a boost in payroll taxes for upper income Americans next year.

Does the President concur with the recommendations of the Social Security Advisory Council that increased benefits be paid out of income taxes rather than boosting payroll taxes?

GUIDANCE: It is my understanding that the report has not yet been submitted to Congress nor the White House, so it would be premature to comment without having a chance to review the report in total.

However, I might just mention that if press reports are accurate, and I assume they are, we have grave concerns about using taxpayers dollars to finance an increase in Social Security benefits. At a time when the Federal budget is already burdened with large deficits, it would be an inopportune time to increase Social Security benefits without finding adequate funds to finance it.

FYI: This Advisory Council is established by statute, with its membership appointed by HEW. END FYI.

JGC

- Q. In trying to hold down Government spending, why did you single out Social Security benefits and Federal retirement programs?
- A. Social Security benefits and Federal retirement programs were not singled out. I submitted a series of budget recisions and deferrals on a wide range of programs to help reduce the Federal Budget.

The five percent limit applies not merely to Social Security benefits but to all Federal programs tied to the cost of living, as well as Federal employee pay increases.

It is important to remember that since 1970 prices have increased 30 percent while Social Security benefits have on average increased 47 percent.

We are currently in a period in which the GNP is declining. Our best estimate is that the country as a whole will have between three percent and four percent less in goods and services during the coming year. Thus, a five percent limit on Social Security increases instead of the estimated full increase of about 8 1/2 percent means that Social Security recipients will bear their share but no more than their share of the burden.

August 27, 1975

SUBJECT:

SOCIAL SECURITY OVERPAYMENTS
TOTAL OVER \$400 MILLION

Is the President aware of the overpayments in the Social Security program and what is he planning to do about it?

GUIDANCE: The President is very much aware of the errors made in the Supplemental Security Income Program. As you are aware, a few years ago, the Federal Government assumed the role of providing aid for the aged, blind, and disabled from the States. It appears that when we erred, we erred on the side of the individual.

The President has asked Jim Lynn and OMB to look into this problem and to work in conjunction with HEW and the Social Security System. Mr. Lynn is to see what can be done to insure that these problems do not occur in the future.

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