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The Redistributive Properties of the Social Security Act of 1935

In the twenty-first century, social security is synonymous with retirement or retirement benefits, and the current news around it is that social security is failing. The fund that feeds the program is drying up and without some hefty reforms the program will go under. This has prompted research into what the impact of losing social security would be. A survey created by the Center on Budget and Policy Priorities (CBPP) showed only 8.7% of retirement age seniors as being in poverty with social security benefits while 43.6% of the same population would be in poverty without social security benefits (Romig, 2016). A deeper look into the realm of social security reveals why the program has not been mended. Scholars cannot decide on a solution because of the fact that no one can decide on the cause and purpose of the 1935 act that established the program. This paper will analyze the current theories available and then formulate a new hypothesis to answer to this question.

Understanding the Bill

The Social Security Act of 1935 established the first real social insurance program in the

United States. The most basic understanding of social security is that it established a retirement or old age pension that pays out benefits to those covered by the program at age sixty-five. President Franklin D. Roosevelt established the Committee of Economic Security chaired by Frances Perkins to create the bill (DeWitt, 2010). It then went to the 74th Congress to be reviewed by the House Ways and Means Committee and the Senate Finance Committee before heading to the floor for debate (DeWitt, 2010). The bill was passed August 14, 1935 and the first payments began going out in 1940 (DeWitt, 2010). The passing of the initial act by Congress established the program with only limited benefits and coverage. The ten titles of the original bill only set up retirement benefits for those sixty-five and over, and disability benefits for the blind (Social Security History). From there it served as a cornerstone to be built upon. Numerous amendments to the act have added benefits such as disability and widow's insurance, but the program has seen few changes in its basic function. It has been one of the longest running programs for the country over the last century and is one of only a few programs still standing from the group of legislation known as Franklin D. Roosevelt's New Deal. It is also the only piece of legislation from that era to maintain a largely unchanged basic feature throughout its entire lifetime. After its initial passing in 1935 there have been some amendments, and the three most significant came in 1939, 1950, and 1983 (Social Security History). The fact that there has only been three major amendments in over eighty years has made it a highly investigated field of study. The vast research surrounding the Social Security Act of 1935 has led to an immense amount of conflicting research and theories. Different scholars view the act extremely differently, and have many different theories for what the impact of social security has been. Due to this, there is no single dominating view of social security in how and why it was passed or structured in the way it was. The confusion comes from the founding structure of social security.

It was not designed as a true redistributive policy, such as a means tested program like Medicaid would feature. It was social insurance for every tax paying individual making it universal in reach. Even with all the research already done on the subject of the Social Security Act of 1935, I do not believe any theory has correctly analyzed and explained the question of why the Social Security Act was passed the way it was and what its true intentions were. While this question has been repeatedly studied the reason for the vast number of theories is because researchers cannot go back and ask FDR exactly what he was thinking. It is a question that needs some qualitative evidence that shows intention as well as empirical evidence. This paper will attempt to tackle both by analyzing the current theories and establishing where my hypothesis fits in on the spectrum. The current popular theories that tackle this question can fall into three groups: economic, racial, or political. While each group encompasses different theories featuring minor differences, they all follow a major outlying theory that fits the group.

Literature Review

The first group theory views the act as primarily involving the economics of the program. The encompassing idea here is known as the corporate liberal thesis. This looks at the Social Security Act as a testament to the capitalist structure of the United States' system. This argument looks past the rhetoric of the act. Some researchers argue it as an inverse to the typical redistributive system. It is argued that it actually redistributes from the poor to the rich in the opposite direction (Ozawa, 1976). The more common view is that it offered little to no fundamental change in redistribution. The support for these claims comes from social security's contributory principle and the requirement of labor force participation. The argument focuses on the construction of the Social Security Act of 1935 as being a tool by class-conscious capitalists, manipulating rhetoric to pursue policies that strongly favored capitalism. This is along the same lines as a Keynesian economic theory. The act was more of a tool to stymie the growth of socialist policy for the future instead of a stepping stone toward socialist policy (Bernstein, 1968). It helped businesses flourish by increasing the purchasing power of the retirement age population. Also, it had a positive effect on unemployment by removing the retirement age population out of the working force while still giving them the means to participate in a capitalist society as a consumer (Graebner, 1980). This is the base for the corporate liberal thesis for social security.

When deeper analysis of these claims is done, this economic theory toward Social Security falls short. To analyze this, one must look beyond the Social Security Act of 1935 to the country's majority view toward pension systems at the state level. At the time of Social Security's passing, only one state, Wisconsin, had a pension system in place and functioning (Quadagno, 1984). Because of this, one must look at the systems used before social security in lieu of pension systems. Instead of statewide pension systems, most places within the United States had different versions of poor-law customs. These were almost all administered and financed locally, which caused for major variation from state to state and even county to county (Quadagno, 1984). The only exceptions to this were a few pensions that existed for teachers, pension benefits paid to veterans through the federal government, and a few pension systems within private industries (Graebner, 1980, Quadagno, 1984, Ikenberry, 1987). Old age pensions were seen to have a series of undesirable effects. The most impactful being the perception of a pension system causing, "a heavy tax burden on the industries of the state that would put them at a disadvantage in competition with neighboring states unburdened by a pension system. In addition, pensions would reduce wages, destroy family cohesion, and would testify to the failure of American economic and social institutions" (Report of the Massachusetts Commission on Old Age Pensions, Annuities, and Insurance, 1910). This helps highlight what could be taken as the conservative view of pension systems before the passing of the Social Security Act of 1935. Places in which pension laws were passed usually did so, despite fierce lobbying against them by industry (Quadagno, 1984). These lobbying efforts focused on anti-taxation rhetoric. The fear was in a pensions demand for an income tax, a manufacturer's tax, or both (Quadagno, 1984).

How can a federal old age pension system in the 1930's be due to the idea of a corporate liberal thesis when class-conscious capitalists were always strictly opposed to any sort of contributory pension system in any documented proposal of the system beforehand? Although some monopoly manufacturers had begun to implement their own pension systems, upon investigation of the Committee on Economic Security, created by FDR, most non-monopoly manufactures were in favor of no legislation (Quadagno, 1984). This lack of historical context weighs heavily on the economic theory of social security. The history of conservative capitalists in the United States leads one to believe that they would not even show support for a contributory old age pension, much less develop one for their interests. Additionally, there are then many divisions within this thesis that give certain areas more importance, and cite slightly different factors for this belief.

Other factions identify some of the same features of social security, but cite extremely different causation and impact. The racial theory for the Social Security Act of 1935 does this to an extreme. The racial theory for social security focuses its argument on a single, major provision of the act. It is the same provision that those in the economist camp view as evidence of a capitalist intention. The contributory principle required labor force participation. It did this while excluding farm and domestic laborers. The contributory principle is what makes the Social

Security Act of 1935 a distributive program by structure. It is that Social Security is tied to income, and the tax from one's income is what makes a person eligible for benefits (Social Security History). From the Senate's own estimation based off of the 1930 census, the Social Security Act excluded between twenty-one and twenty-two million workers in fields that left them out of the taxed labor pool (79 Cong. Rec. 9637, 1935). This would account for about seventeen percent of the United States population. The racial argument, which is also referred to as the southern compromise, is that this was done to exclude the majority of African-American workers, because in 1935, three-fifths of the black labor force fell into those categories (Quadagno, 1984). It followed the belief that this was a systematic and purposeful use of the legislation to enhance segregation. The argument does not see the program as strictly capitalistic, but instead redistributive in a different light. Scholars such as Quadagno and Lieberman see the social security act as transferring income from the African-Americans to the whites in power rather than the transfer of income from the wealthy to the poor (Davies, 1997, Lieberman, 1995). There is no argument as to whether or not the Social Security Act excluded three-fifths of the African-American working class. What makes this theory difficult is that it has been unable to prove any sort of intention. The intent of FDR and the 74th congress that passed the Social Security Act is just speculation for this theory. While the empirical data shows clear evidence that people were excluded, the argument weakens as social security began to age. These provisions of the act have been revised multiple times, with the first revision coming in 1939 a year before the first social security payment went out in 1940. For evidence, this theory must rely on the fact that the legislation got support from southern democrats, as well as southern democrats being on the committees to help form the bill. Also, the beliefs of the NAACP saw the provision as being racially discriminatory along with provisions in other New Deal legislation

(Davies, 1997).

While this is one of the most prominent theories to the Social Security Act, it stumbles under close scrutiny. Larry DeWitt, a public historian with the Social Security Administration wrote a comprehensive paper addressing the 1935 Social Security Act's decision to exclude agricultural and domestic workers. DeWitt addresses what the racial explanation for this is, but also looks deeper into the issue. He lays out the arguments of Lieberman, Gordon, and Davies and Derthick as the standard to identify the main points for a racial explanation. DeWitt breaks the racial argument into three major arguments. That it targeted a majority of African-American workers, that these exclusions were due to Southern factions of the Democratic Party who were responsible, and the choice did not reflect any other reasoning from congress (DeWitt, 2010). He compiled a comprehensive list of exactly all who were left out of the Social Security Act. Individuals were excluded from the program due to many different reasons, only two of which were because of agricultural or domestic work. It would have also reflected much more of a racial bias. According to DeWitt, "of the 21 million gainfully employed workers that the president's Committee on Economic Security estimated were excluded from participation in the Social Security system, at least 15 million were white" (DeWitt, 2010). The conservative influence of Southern Democrats has also been exaggerated. Only six of the twenty-one members of the Senate's Finance Committee were from Southern states, while only four of the eighteen members of the House Ways and Means Committee were from Southern states (DeWitt, 2010). This also does not provide any distinction between the interests of different Southern political figures. A senator from a rural plantation district in the Mississippi Delta did not have the same interest as one from a textile dominated district in a border state such as Delaware (DeWitt, 2010). Combine this with evidence of resistance by employees and employers both after domestic workers were brought under coverage in the 1950 amendments to Social Security, and the racial explanation collapses. DeWitt concludes from congressional debate records and testimonies that the exclusions were instead caused by Congress' concern of putting undue burden upon the Treasury by covering individuals from whom it would be difficult to collect taxes (DeWitt, 2010). The racial explanation and theory for the Social Security Act of 1935 collapses under intense scrutiny causing some scholars to look elsewhere for explanation. While these two are the most prominent working theories to the causation and intent of the Social Security Act of 1935, there is one other faction that needs recognition. The political camp has their own views on social security.

The political camp is different in that it does not have a broad, engulfing theory. There are theories in this camp that have similar conclusions to other theories. For example Theda Skocpol and John Ikenberry produce a theory that resembles thoughts similar to those arguing for capitalist reasoning to social security from the economics camp. What makes it a political theory versus an economic theory is how they arrived there. They suggest that social security was a welfare, capitalist program established despite, "a federal state structure and political party system otherwise uncongenial to generous and nationally uniform public welfare efforts" (Ikenberry, 1987). This, like so many other theories we have looked at, rests on a presumption of intention. Ikenberry and Skocpol's argument rests on the progressive agenda of Franklin D. Roosevelt and Francis Perkins as being the only agenda reflected in the Social Security Act of 1935. While FDR did form the Committee on Economic Security (CES) to create the first proposal of a bill for social insurance legislation this was not the only party that weighed in. The American political system is more complex than that. The bill also passed through the House Ways and Means Committee and the Senate Finance Committee before then going to the floor in both houses for debate (DeWitt, 2010). To go along with this, if it was just Roosevelt's and Perkins' agenda, then the bill would have struggled to pass in Congress. This is the opposite of what occurred. The Social Security Act only spent 18 days in congress and passed 77 to 6 with twelve not voting in the Senate and passed 372 to 33 with twenty-five not voting in the House of Representatives (Social Security Administration). The bill had fairly overwhelming support from both sides of the aisle with little debate on both floors of Congress. This does not represent a bill reflecting the interests of only two individuals, regardless of how powerful they were. A modern political argument would be one such as Alan Jacobs. Jacobs' theory focuses on the institutional aims of FDR and the 74th Congress. Like other social security theorists, Jacobs points to the foundation of the program and its heavy upfront costs for the first five years of the program. His theory for social security's organization is that the creators made programmatic institutional choices in order to make social security a sustainable long term program (Jacobs 2009). While these choices left the policy vulnerable to challenges from different directions, he argues that this was not the concern behind these choices. His argument is that policies can also serve as a political institution after the establishing institution is gone. He says that when used as "intentional and strategic" the designs of a program can be used to constrain one's rivals and successors over time (Jacobs 2009). Jacobs' more accurate definition of a programmatic institution is, "a structural feature of an existing public program that influences the menu of policy options from which officeholders choose or the political costs and benefits associated with those options" (Jacobs 2009).

Jacobs' argument moves away from the social security system targeting either side of Roosevelt's supporters. He uses the benefits for both the left and the right in the policy as evidence to FDR's lack of a capitalist or socialist agenda. This leads him to his programmatic institutional beliefs for the causation of the Social Security Act of 1935. The problem with Jacobs' theory is that it is supported by very little evidence. Jacobs is taking what is a political, institutional idea that can only be recognized generations after the passing of legislation and suggesting that FDR used it consciously as a political tool. This theory is difficult to support due to a lack of evidence. There is no record of Roosevelt, Perkins, or anyone else saying something along these lines. The hardest thing to prove is intent, and that is exactly what Jacobs' theory relies on. Jacobs fails to provide any evidence of FDR even having this tool in his political arsenal. There is no other instance that shows Roosevelt talking about the idea of programmatic institutions. This is a perfect example of the struggle within the political camp for social security theories. They usually rely on the intent or mindset of policy makers, which is difficult to show. For the one question over the Social Security Act of 1935 there are theories that cover a wide range of viewpoints. Each one of these theories fails to tell the entire story of the Social Security act or misses the mark completely.

Social Security: An Alternative Hypothesis

While all of these theories are vastly different, they can all find some evidence within the Social Security Act. However, these theories do not focus on the most relevant evidence from the legislation. All of these theories view social security as a different form of policy. What none of them do is look at the political intention of social security as stemming from a policy goal. While the Social Security Act created a system of old age pensions that was universal to the entire taxed labor force, its creators and supporters at the time of its passing intended it to have the same outreach and impact as a redistributive property. I agree with Jacobs that the causation of the legislation can be traced to a political intention within the policy, but I disagree with what this intention was. FDR and the 74th Congress were able to create legislation with mass appeal that would function as a redistributive property. For this to have any shot at being true, there must be evidence of this ideological belief at the creation of the legislation. This paper will establish this as a plausible hypothesis with evidence from the Congressional Record of the debates on the 1935 legislation. It will then analyze this hypothesis empirically with a three case study looking at the legislation's redistributive nature at three different points in time, with focus around the points of major revision for the Social Security Act. The analysis will look at data on the Social Security Act's effect on national poverty levels of the retirement age population. This will come together to form a comprehensive analysis of the causation of the Social Security Act of 1935 being linked to political intent by the Congress to create a program that would have the impact of redistributive legislation without the actual structure of one.

Congressional Record

The Social Security Act had all the intention and goals of a redistributive program such as other New Deal legislation while actually being a universal program that is distributive and contributory. For this to be a plausible premise, there must be some record of political attitude toward a progressive and redistributive intention toward the Social Security Act. The congressional record of the floor debates can shed light onto the thoughts and beliefs of those in favor or opposed to the legislation. With only thirty-nine individuals voting against the bill, the few who spoke up in the debates provided little insight into the mindset of those who voted nay. Even more eye opening are the people who voted in favor for the bill, particularly because of the variety of individuals that supported the legislation. In analysis of the congressional record of the Senate debate I found interesting commentary between the two senators from Colorado. In the floor debate Alva B. Adams, a Democrat from Colorado, raised a question on private insurance companies' ability to provide policies with better economic outlooks than the bill was suggesting. In response to this was Edward P. Costigan, who was a Democrat from Colorado and a founding member of the Progressive Party with Theodore Roosevelt in 1912. He stated, "May I suggest from the able bodied senator from Colorado that the field with which we are now dealing is one in which the standard life-insurance companies have rarely issued policies or given the sort of assurances the Senator from Colorado is now indicating?" in regards to the target population of the bill (79 Cong. Rec. 9638, 1935). He then continues, "I may say it impresses me as of very slight consequence what the particular phraseology of these amendments is so long as the essential end is clear" (79 Cong. Rec. 9638, 1935). *(For the record both Senators voted yay to the bill.)* This provides record of a progressive ideology and interpretation present during the passing of the Social Security Act of 1935. Senator Costigan refers to an intended population as not being those who already have access to private old age pensions through private insurance providers. In the 1930's, these private policies were rare and limited to higher economic classes within society. This serves as evidence of some sort of traditional redistributive ideology *(from rich to poor)* on the Social Security Act at the time of its passing. This serves as the foundation for a redistributive intent for social security while being a program that was not truly redistributive in form. The idea of Social Security as a redistributive program is not new.

This is not the first theory to view Social Security as redistributive. Different theories have seen the Social Security act as redistributive in a variety of ways that differ from the traditional form of redistributive. The traditional form is the distribution of wealth from those in higher economic classes to those in lower economic classes or the impoverished. Some scholars who are proponents of the economic corporate liberal thesis view the Social Security Act as functioning as a redistributive program in the inverse of the traditional sense (Ozawa, 1976). This would mean that the program actually redistributes wealth from the poor to the rich. This is the extreme view of social security as a tool for conservative capitalists (Quadagno, 1984). There is no empirical evidence to show a redistribution of this pattern. The same goes for scholars who believe in the racial explanation for the Social Security Act. The argument that they make is that the Social Security Act redistributes along a racial continuum instead of the traditional economic status continuum. This is the claim that the Social Security Act redistributes wealth from African-Americans to whites (Ozawa, 1976). This claim, like the economic claim, shows no true empirical evidence that would support this. It is important to differentiate between the different forms of redistribution that are associated with the Social Security Act of 1935. For this working hypothesis we are dealing with a strictly traditional sense of the term. It is also important to note that this hypothesis is not alone in viewing the Social Security Act as traditionally redistributive.

Experimental Design

To look for this phenomenon in the Social Security Act of 1935, I will look at three different tests. The first of these tests will be at the national budget level. The test will be a simple comparison model between the national spending on social insurance programs, and the amount of national income from the Social Security program. It will be analyzed for general trends over time. The second test will be more complex, but will still be looking for trends over time. The second test will focus on social security benefits as a percentage of the poverty threshold, and of median income levels. Looking at these two trends over time will hopefully provide insight on the redistributive properties and trends of the Social Security Act of 1935 in the early years of the program.

For the Social Security Act of 1935 to show functioning that would be representative of a redistributive program, it must show some poverty alleviating effect in the first twenty years of the program's existence. Social Security benefits first began going out in 1940 and have continued ever since. Research has shown redistributive properties in Social Security in modern times, but little research has been done in the early years of Social Security. This is because there is limited data for that time in American history. A perfect example of this is that the United States Census Bureau did not create and begin to take data on the poverty threshold until 1959. The only records kept from that period of history come from the United States Census for those years. The census did not keep the data for the exact records that this type of research would demand. This makes case selection tricky in this situation. The research is limited to the available data which frankly is not much. This also creates an unpreventable selection bias in my cases due to the fact I must select based off available data. The best case scenario would be if the study was able to analyze this data yearly for the first twenty-five years or so of the programs benefit payouts. This would not be a large case selection, but it would be enough to give the answers needed. The problem with this is that yearly data is not available for all of my research. This will only work for one of the three tests that will be looked at. For the test on national spending towards social insurance programs, I am able to look at yearly data ranging from 1940 through 1970.

For this test I will look at all thirty years, in search of trends over time. For the second test that will be completed, I am unable to use the same case selection. The second test looking at social security benefits as a percentage of the poverty threshold and as a percentage of average income will be much more limited. I am limited by the data available through the United States Census Bureau as well as the data available for social security benefit payouts, and because of this I am only capable of looking at the data for every five years. The test will look at every five years, beginning in 1940 and ranging until 1965, resulting in six data points. It does this with some limited availability on information for some variables which will be elaborated on more in the methods and results sections.

Method

As mentioned earlier, the research will consist of three tests. The tests will be fairly basic comparative studies. The focus will be the original signing of the Social Security Act of 1935, and all of the comparisons will remain within the act. The tests will make comparisons over time to identify any patterns or trends. The first test will look at social insurance spending on a national level. More specifically, it will look at the yearly amount spent in billions of United States dollars by the government to pay out social security benefits compared to the amount in billions of U.S. dollars received by the government as contributions for social insurance. This will analyze what the United States government is bringing in compared to what it is paying out every year from 1940 to 1970. Figures for this comparison are being taken from the United States Department of Commerce Bureau of the Census, and all of the figures used have been configured and published by the bureau. The figures used will be coming straight from the Bicentennial Edition of the *Historical Statistics of the United States: Colonial Times to 1970* that was published by the Bureau of the Census in September of 1975. The figures used for this test come from part one of this two part publication. Specifically, the data has been collected from the Personal Income and Outlay: 1929-1970 chart on page 272 of the document. For this test, we kept the data in the same format used by the bureau (billions of US dollars). These numbers were compared by year looking at the difference between national funds received and national benefits paid out. The results have been put into an overlapping line chart to show trends over time for each individually, as well as in comparison.

The second test will be looking at Social Security Benefits as a percentage of the poverty threshold as well as of median incomes. The figures used for Social Security benefits are the national averages for social security benefit payments for each individual year. Due to the data for pre-1957 only being available in five year increments, the test looks at the benefits for 1940, 1945, 1950, 1955, 1960, and 1965. National averages for benefits were used due to the nature of social security benefits. Social security benefits are calculated for each individual, based off of what one has paid into the system and for how long. Due to this case by case specificity, national averages were used for comparison. The figures for the national averages of social security benefit payouts come from the Social Security Administration's "Social Security Bulletin: Annual Statistical Supplement". These figures were presented as monthly averages, so for the purposes of this test I converted the averages to yearly averages.

The first comparison of these averages proposes an enormous challenge. The poverty threshold was created by the Bureau of the Census to provide an empirical measure to classify individuals within the population as being impoverished or not. The threshold was set as being three times the cost of the minimum nutritional diet for different demographics. The threshold created separate figures for age, sex, and family size. The comparison with the national poverty threshold poses a challenge due to the fact that the poverty threshold was not created and tracked until 1959. Due to the purpose of this research being to analyze the early years of the Social Security Act, I could not start my comparison nineteen years past when the first benefits were paid out. This forced me to create my own poverty threshold measure for years prior to 1959. Instead of using Bureau of the Census data on national food costs to try and build my own poverty threshold measure for each individual year from scratch, I took the existing poverty threshold figures and worked backwards. I did this by using the United States Department of Labor Bureau of Labor Statistics Consumer Price Indicator (CPI) inflation calculator. What this tool does is take a dollar value from a selected year and compares it to the spending power of another selected year by providing the equivalent dollar value for the selected year. In simpler terms, it would show, as an example, what $100 dollars from 1980 would be equivalent to in 2000 and vice versa. What I did was take the poverty threshold figure for a retirement age individual (65 and over) from 1959 and calculate the equivalency for each year prior to 1959. This worked on the belief that general inflation rates would be fairly consistent with the inflation rate of food and agriculture over time.

To test the validity of this process, I compared the real poverty threshold figures with calculated poverty threshold figures going forward from 1959. The results from these comparisons can be seen in Figure 2.1 and Figure 2.2. The results of the test comparison led me to continue with this as an acceptable mode to create poverty threshold figures for pre-1959. I then used simple division to calculate the average social security benefit payout as a percentage of the calculated poverty threshold for each year. I did this same comparison process with figures for the national median income for each individual year. The figures came from the Bureau of the Census's Current Population Reports on Consumer Income for each individual year. The process was again repeated with figures for the national average income for an individual 65 years and over and for the national average income for a head of household 65 years and over for each year. These figures also came from the Current Population Reports on Consumer Income published by the Bureau of the Census for each individual year. The results for all these figures along with the calculated percentages can be seen in Table 2. They have been placed together on a scatter plot with linear lines of best fit to show general trends over time of the calculated percentages, which can be seen in Figure 3.

Results

The results for the first test can be seen in Table 1, and in the form of a line graph in Figure 1. The difference between the amount spent by the national government to pay out social security benefits and the amount of contributions they took in started with the government in the positive. They were taking in more in contributions than they were paying out in benefits. The peak of this positive difference came in 1944-45 when the government took in two billion more than they paid out in benefits. This difference went on the decline, and by 1955-56 the difference had shrunk to almost nothing. This trend continued and the government began to pay out more in social security benefits than they were receiving in contributions for social insurance. This deficit, which began as 0.6 billion dollars in 1957, would continue to increase to 2.3 billion in 1959 and continue along this path. The deficit ultimately reached 10.5 billion by 1970. For a complete breakdown of the change by year, reference Table 1.

The second test's results are less clear. Average yearly social security benefits as a percentage of the average national income remained fairly consistent. There was very little variation from the initial figures in 1940 with benefits totaling about 21% of the national average income. Beside one outlier in 1950 where the percentage dropped to around 13%, social security benefits as a percentage of average income held between 19%-22% and leveled at 20% at the end in 1965. The test of social security benefits as a percentage of poverty threshold numbers did not show this same lack of variation. The initial figures from 1940 show social security benefits as being about 40% of the poverty threshold. There again is a dip in 1950 with the percentage dropping to 32%, but then the numbers begin to rise. The figures jump to 64% in 1955 and continue to rise to about 74% in 1965. The test of the national average income for an individual 65 years and over has some gaps in information. Average income by age was not tracked by the Bureau of the Census until 1950, so the figures for 1940 and 1945 are missing. The figures start in 1950 where the percentage starts at 58%. Social security benefits as a percentage of individual income then begins to rise. It jumps to 79% in 1955 and then continues to rise all the way to 84% in 1965. The final test is looking at head of households 65 years and over, but these figures are incomplete. The data only exist for the years 1945, 1950, and 1965. The percentage started in 1945 at 29% and rose to 43% in 1965. This list is relatively incomplete though. All of the data for the second test can be seen in Table 2 and the percentages can be viewed for trends over time in the scatter plot in Figure 3.

Conclusion

The purpose of these two studies and this research has been to test the validity of my hypothesis on the creation and functioning of the Social Security Act of 1935. This hypothesis was that the Social Security Act of 1935 was passed purposefully as a distributive system that would function as a redistributive system over time. In order to validate this hypothesis, one would need to see the system becoming more redistributive over time from the very beginning of the act before major amendments further down the road. To look at the redistributive nature of social security I used two major studies. The first was a basic comparison of the total dollar amount that the government spent on social security benefit payouts compared to the total amount of contributions that the national government took in for social insurance. The idea here was that, for the program to function in a way matching its distributive design, the difference should stay relatively the same, and the contributions into the government should usually be equivalent or greater than the payments out. Instead of this the results showed a different trend. By looking at Figure 1, we can see a trend that starts out in this matter but gradually evens out around 1955 and then begins to show an increasing deficit. These results support my hypothesis that the act was not functioning as a distributive program like how it was designed. These results by themselves do not necessarily show that the program was becoming more redistributive, but they do not disprove the hypothesis either.

The purpose of the second test was to actually show some sort of redistributive nature. To show this, the second test would need to show some sort of consistency within the program for all people, due to its distributive design, while showing changing trends in the categories for the poverty threshold and the individual income of those 65 years and over. The actual results show something similar to this. When looking at social security benefits as a percentage of the national average income, we see extraordinarily little change. The percentage held right around 20% for over the span of 25 years. This portrays the distributive design of the program. What the distributive design does not explain is the trends seen within the poverty threshold and individual income comparison.

Both of these results show trends that steadily climbed throughout the 25 years I analyzed. It is worth mentioning that 1950 served as an outlier in each case showing a slight decrease before rising again. This is yet to be explained, but I believe it may be a result of the post war period. What these rising percentages are truly portraying is that social security benefits were rising faster than the poverty threshold numbers and individual income for people of retirement age (reference Figure 3). This means social security benefits were having a growing impact on those retirement age individuals around the poverty line. This helps support my claim for the Social Security Act being distributive but functioning in redistributive ways. Results such as these cannot be explained by the other working theories. In fact it portrays the opposite of Ozawa's economic theory on it redistributing in the opposite direction (Ozawa, 1976). I believe that the results support the validity of my hypothesis. With that being said, there are limitations to my research. The first major limitation is that the intent of the 74th congress is impossible to prove. The study itself is also limited by the available information for the time period. This is not only limiting to my current research, but also any future extensions of this research. This should not undermine the research done here. I believe this study has shown enough support for this hypothesis to be strongly considered when looking at the creation and functioning of the early years of the Social Security Act of 1935.

Figure 1

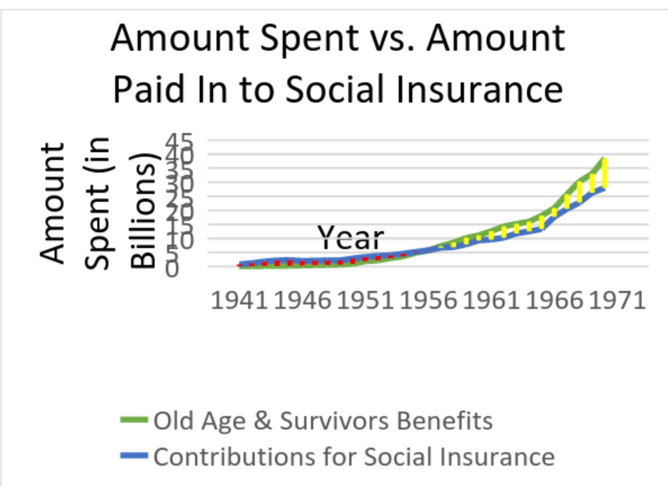


Table 1:

Year	Old Age & Survivors Benefits	Contributions for Social Insurance	Difference between Contributions & Benefits
1941	0.1	0.8	0.7
1942	0.1	1.2	1.1
1943	0.2	1.8	1.6
1944	0.2	2.2	2
1945	0.3	2.3	2
1946	0.4	2	1.6
1947	0.5	2.1	1.6
1948	0.6	2.2	1.6
1949	0.7	2.2	1.5
1950	1	2.9	1.9
1951	1.9	3.4	1.5
1952	2.2	3.8	1.6
1953	3	4	1
1954	3.6	4.6	1
1955	4.9	5.2	0.3
1956	5.7	5.8	0.1
1957	7.3	6.7	-0.6
1958	8.5	6.9	-1.6
1959	10.2	7.9	-2.3
1960	11.1	9.3	-1.8
1961	12.6	9.6	-3
1962	14.3	10.3	-4
1963	15.2	11.8	-3.4
1964	16	12.5	-3.5
1965	18.1	13.4	-4.7
1966	20.8	17.7	-3.1
1967	25.7	20.5	-5.2
1968	30.3	22.8	-7.5
1969	33	26.3	-6.7
1970	38.5	28	-10.5

Figure 2.1:

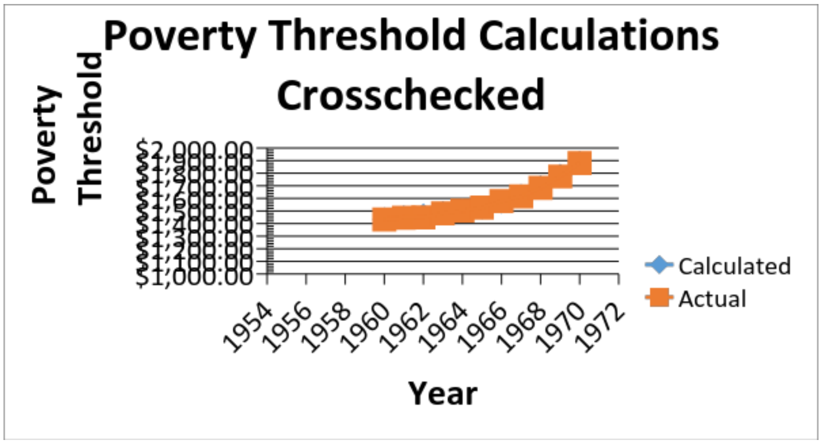


Figure 2.2:

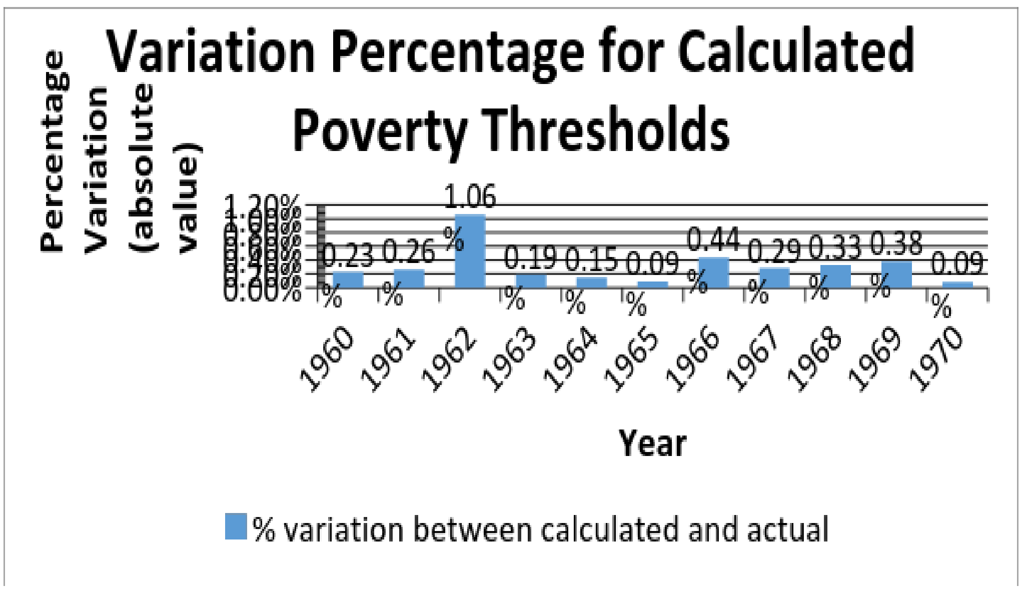
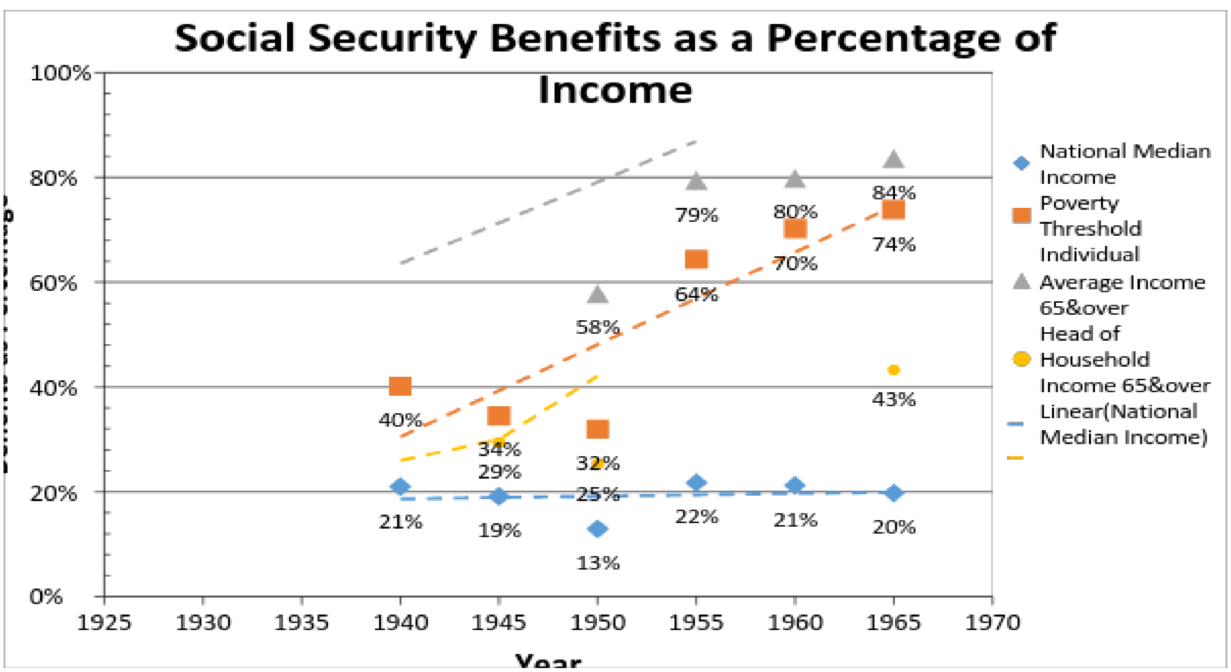


Table 2:

Year	Average Monthly Benefit	Yearly Benefit	National Average Income	Average benefit as percent of income	Poverty Threshold	Average benefit as percent of threshold	Individual Average Income 65 & over	Average benefit as percent of IA income 65&over	Head of Household 65 & over	Average benefit as percent of H of H 65&over
1940	$22.71	$272.52	$1,299.00	21%	$679.31	40%	-	-	-	-
1945	$25.11	$301.32	$1,575.00	19%	$873.40	34%	-	-	$1,024.00	29%
1950	$31.14	$373.62	$2,891.00	13%	$1,169.39	32%	$646.00	58%	$1,474.00	25%
1955	$69.74	$836.88	$3,851.00	22%	$1,300.40	64%	$1,053.00	79%	-	-
1960	$83.87	$1,006.44	$4,743.00	21%	$1,433.00	70%	$1,260.00	80%	-	-
1965	$93.97	$1,127.64	$5,710.00	20%	$1,527.00	74%	$1,348.00	84%	$2,607.00	43%

Figure 3:



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