

A tax - or licence fee, if you so desire - may well be a material factor in causing any industrialist to consider seriously whether his economic interests are best served by a process which can only be pursued subject to a substantial economic disability, or whether some alternative method of conducting his business might be preferable.

The second approach is by way of insurance - pollution insurance offered to the owner (or occupier) of property. Not a third party cover but an own damage insurance in the form of another special peril. It would need to be applied universally to avoid selection and it could not cope with everything, but it could deal with physical damage caused by pollution.

It would not cover personal injuries, but these can be dealt with at present under P.A. insurance. It could not easily deal with noise, but some cover would be given if it were felt to be needed.

I do not think it is necessary to burden you with many examples, as they spring readily to mind - damage to buildings by vibration, to clothing and furnishings by dirt and fumes. I have reservations about aesthetics - for example, an impairment of a view by cooling towers, although, if someone much more clever than I can devise a basis for compensation and a method of rating, I see no reason to exclude even this.

This suggestion might appear to be a little far-fetched, but I should like to leave you with one final thought. Pollution is a current problem and is one which will not readily go away. It calls for some remedy, and part of that remedy can be provided by insurance. If insurers do not take steps to provide the remedy there is little doubt but that it will be undertaken by the State, and there is another category of business lost to the insurance market.

#### GERMAN SOCIAL INSURANCE LAW IN EUROPEAN PERSPECTIVE by Hans Møller, Hamburg

##### I INTRODUCTION

This paper is entitled "German Social Insurance Law" because in Germany most of the major benefits commonly included in the more general concept of "Social Security" have traditionally been provided through the insurance mechanism. But, as you well know, this is not the only possible way of providing benefits. All kinds of different systems have developed in the various member countries of the European Community, and therefore the subject has to be put into a European perspective. Before discussing some current problems of the German system, I will briefly explore some of the international aspects that are likely to affect you here in the United Kingdom. In this respect we will have to look not only at the European Community but also at other international organisations.

1 Social Security within the European Community

(a) The Treaty of Rome contains some surprisingly ambiguous provisions on the subject of social security. In the first subsection of art. 117, the contracting parties express their agreement that living and working conditions of the working population should be improved and that by such progress it should be made possible to attain equal levels. On the other hand, subsection 2 of this article expresses the opinion that such improvements will be brought about by the operation of the Common Market and by the various harmonization procedures provided in the Treaty. These words suggest that in the eyes of the makers of the Treaty the harmonization of social security rules is not a prerequisite for the establishment of the Common Market but rather will be achieved more or less automatically as a result of the Common Market.

This view is confirmed by art. 118 which provides that the Commission shall promote co-operation among the member countries in all areas of social policy, by conducting studies and by organizing consultations. You see that these powers are among the weakest to be found anywhere in the Treaty of Rome, as compared, for instance, to the power to promulgate regulations or to issue directives, for example - in the field of private insurance.

- (b) The rules which we find in the Treaty of Rome are the result of political compromise. While the draft prepared by Paul Henry Spaak did not mention social conditions at all, France insisted on harmonization in that field because she was afraid the competitive position of French industries would be prejudiced by the cost of social benefits which at that time appeared to be at a higher level than those of other countries. France succeeded only in the subject of equal pay for men and women, which is required in art. 119 of the Treaty, but otherwise, the other countries prevailed.
- (c) In the background of this political controversy, there is the basic economic problem whether variations in the cost of social benefits belong to the "artificial" differences which ought to be eliminated in order to permit free and undistorted competition, or whether they are part of the so-called "natural" cost differentials due to different locations and therefore should be left free from interference. The majority opinion among economists and apparently also among the authors of the Treaty of Rome seems to be that different social costs are no handicap to free competition.

This view also precluded harmonization measures under art. 100 or 101 which require that the rules to be harmonized directly affect the establishment of the Common Market or distort the conditions of competition.

- (d) Of course there is one area where differences in social security rules do adversely affect the establishment of the Common Market, namely the free movement of workers. This problem has been dealt with specifically in art.51 of the Treaty. Based on this provision, the Council has promulgated a number of regulations. Regulations No.3 and No. 4 contain elaborate provisions concerning equal treatment of foreign employees, vesting of pension rights, payment of benefits to beneficiaries in other countries, and similar problems. The regulations are supplemented by bilateral agreements made between the various countries.

These regulations and agreements do not solve all the problems and indeed create many new ones. There can be little doubt that some of these problems could be eliminated by some degree of harmonization. A uniform list of occupational diseases, for instance, would be a desirable achievement.

- (e) On the other hand, it must be acknowledged that the expectation expressed in art. 117 has in fact been confirmed by the actual development of social security. The level of social security benefits has substantially improved in all countries, and at the same time the differences between the various countries have become smaller.

Still, social policy in general and the development of the social security system in particular are basically national and are inseparable from the economic and social philosophies prevailing in the particular country, and its economic situation. No country can promise or provide more social security benefits than its national economy can afford in due consideration of other important tasks. When Germany and some other countries were hit by an economic recession in 1966 and 1967, progress in social security stagnated and there were even reverse moves in some areas. In other words, social security development is very sensitive to economic trends.

(f) It is exactly this close connection with economic policy which may now produce a new initiative for social harmonization in the Common Market. The new goal of an economic and monetary union will require, among other things, some basic agreement about the role of social progress in national financial planning. At the European summit meeting in Paris in October 1972, Chancellor Brandt called for a list of social principles to be used as guidelines for gradual co-ordination of national social policies. Where the present provisions of the Treaty of Rome prove too narrow for such purposes, the Council of Ministers has the power under art. 235 of the Treaty to promulgate the necessary rules.

## 2 Other International Organisations

Now, having explained the rather restrained attitude of the European Community towards social policy, let me remind you of two international organisations which are much more active in this field.

- (a) Most important in this respect is the work of the International Labour Office in Geneva which since its creation in 1919 has observed and promoted the progress of social security throughout the world. The ILO has sponsored numerous agreements on various aspects of working conditions and social policy. The Agreement No. 102 which was signed in 1952 established minimum standards for social security benefits. Other agreements require equal treatment of foreign workers.
- (b) Considerable interest in matters of social security has also been demonstrated by the Council of Europe. In 1953 it sponsored two Conventions providing for equal treatment of foreign workers. In 1961 the European Social Charter was signed as a supplement to the Convention on Human Rights, creating something like a social bill of rights, including a right to social security. In defining that right, the Charter refers to the minimum standards of the ILO Agreement No. 102. Finally in 1964, the member countries of the Council of Europe signed the European Code of Social Security. This is a complete copy of the ILO Agreement No. 102 except that the signatory countries assume more extended obligations in meeting the minimum standards.

## 3 Social Security and Social Insurance

In international perspective, the goals of social security can be achieved in different ways, and social insurance is just one method of financing a social security system, which could also be financed out of the general budget. Putting aside this difference of financing the British National Health Service and the German system of social

sickness insurance can be compared having regard to the persons covered and the range of benefits.

Still another way of achieving the goals of social security would be to impose an obligation to obtain insurance from a private insurance company. As you know, this is the way several states of the United States of American have regulated industrial accident insurance, or "Workmen's Compensation", as they call it.

There seems to be no need to eliminate those structural differences as long as the results conform to international standards. Moreover, any attempt to change existing organisations would meet considerable resistance. In Germany, for instance, the insurance approach in the main branches of social security and the diversified organisational pattern has become so much of a tradition and tabu that it would be difficult to change it.

## II. SOCIAL INSURANCE IN GERMANY

Against this international background I will now try to sketch a rough and simplified picture of German social insurance.

### 1 Evolution of the Present System

- (a) As you probably know, Germany is credited with having "invented" social insurance. Indeed, Germany was the first country to introduce each of the traditional classes of social insurance, sickness insurance in 1883, accident insurance in 1884, and old age and permanent disability insurance in 1889. The reason why Germany acted earlier than other industrialised countries was not an advanced understanding of social problems but there were strong political motives behind the legislation. Social insurance was designed by the conservative government under Bismarck to pacify the growing socialist movement.
- (b) The first programmes were restricted to industrial manual workers who were thought to be most urgently in need of protection and least able to obtain such protection by voluntary insurance schemes. But the new institutions soon showed a marked tendency to expand - a tendency which has indeed been one of the most common characteristics of social security systems all over the world.

Sickness insurance was gradually extended to include other classes of workers, and salaried employees.

In 1911, a pension insurance system was established for employees within a certain salary range.

Unemployment insurance was added in 1927.

- (c) Since 1937 there have been many more extensions both with respect to the range of benefits and the number of insured persons. Independent artisans and farmers were included in the pension system, while farmers have also been included in the sickness insurance system. Moreover all self-employed persons were permitted to join the pension system on a voluntary basis. The salary limitation for employees has been abolished in pension insurance; in sickness insurance it has been considerably extended. We call all this the "opening" of social insurance.
- (d) What is going to happen in the future? The expansionist tendency will probably continue, unless a serious deterioration of the economic situation should limit the dynamic forces of development. The goals of social insurance legislation have changed dramatically since they were first announced in 1881. For a long time, social insurance was designed to protect only those who could not be expected to protect themselves, and to limit benefits to essential necessities. For Bismarck social insurance was the insurance of the "poorest of the poor". More and more, however, this idea is being replaced by a desire to provide protection for everybody, permitting the insured and his family to maintain their standard of living and their social status without substantial reduction in spending habits. This is not quite consistent with the principle announced in 1931 by Pope Pius XI, still widely quoted and theoretically accepted, which postulates that government programmes should only provide for urgent social needs that cannot be satisfied by voluntary measures, and that maximum room should be left for the exercise of individual responsibility.

The basic issue is what role is to be played by the responsibility of the individual citizen. This problem has been discussed for a long time and probably will continue to be discussed. To put things into perspective it should be noted that initiatives for further extension of the social security system do not come exclusively from eager politicians or from social insurance carriers that want to enlarge their competence and financial basis, but that increasingly the groups that are still outside the system demand their inclusion. This has been true for professional groups like attorneys, who always were supposed to be able to arrange voluntarily for their old age and other contingencies of life.

One of the reasons for this change of attitude may be the fact that the "dynamic" pension adjustments available in social insurance make those benefits practically inflation-proof and therefore offer more reliable protection in these inflationary times than anything offered in the private market. So the concept of social insurance is changed: not the poorest of the poor, but all co-citizens wish for fundamental protection.

2. General Concepts of German Social Insurance Law

Before going into details of the various classes of social insurance, I would like to introduce you to some general principles of German social insurance law.

- (a) I wish I could give you a short and clear definition of social insurance but I am afraid this is not possible. For a long time social insurance could be defined as a system of compulsory insurance against certain contingencies affecting the earning capacity of employed persons with limited incomes, established by the government and administered under the rules of administrative law by public agencies, with contributions paid typically by the insured and their employers or by employers alone, and contribution rates varying according to income rather than to the individual risk. Under present circumstances, however, these features are no longer reliable as distinguishing factors. Social insurance is no longer restricted to low-income workers; compulsory insurance is supplemented by many forms of voluntary membership; on the other hand, there are many kinds of compulsory private insurance; a great number of insurance schemes have developed outside the traditional branches of social insurance but by adopting some of the essential features of social insurance.

It is exactly for these hybrid forms of insurance that a clear distinction is most urgently needed as a political guide-line, but it is also here where it is almost impossible to find it.

A clear distinction between social insurance and private insurance is necessary because each is subject to completely different sets of rules. Private insurance contracts are governed by the insurance contract code and by the general rules of contract law; the relationship between an insured person and an insurance carrier in social insurance is regulated by the social insurance code and by the general rules of administrative law. While private insurance companies are subject to supervision by the Federal Supervisory Office for Insurance Concerns, social insurance carriers are supervised under different rules by different agencies.

Controversies in matters of social insurance are tried and decided in a separate system of courts, separated even from the ordinary administrative courts, up to the highest level, the Federal Court for Social Matters, in Kassel.

After much searching I have come to the conclusion that at present in the absence of any reliable objective test the distinction between social insurance and private insurance depends entirely upon the discretion of the legislature creating a new programme. If necessary, the legislative intent must be determined through the traditional methods of statutory interpretation.

- (b) One of the features that distinguishes German social insurance from most other systems is the strong participation of insured persons and employers in the administration of the insurance carriers. Every six years, the insured persons and the employers elect the members of a board of delegates who in turn elect a board of directors. The directors appoint and supervise the general manager of the insurance carriers. The board of delegates have jurisdiction, within the limits set by statute, to supervise the management, to approve the budget and - in sickness insurance - even to set and alter benefit schedules and contribution rates.

In most carriers, insured persons and employers are equally represented on the boards, but there are some exceptions for particular kinds of carriers. Candidates for delegate elections can be nominated by labour unions, employers' associations, and certain other groups. Actual elections are held only if there is more than one ticket of candidates in each class. In most carriers there is only one strong union, or the unions agree among themselves on a joint ticket. Therefore, in 1968, only 52 out of a total of about 2100 insurance carriers actually had elections; in these, almost 25% of the insured cast their votes: 5.6 million out of 20.9 million insured.

- (c) One legal problem arising in every social security system is presented by cases where an insured person receives benefits for an injury or other event for which he can also claim damages from a third person under the law of torts. If the tort claim is left un-affected, the insured gets a windfall: if the tort claim is reduced by the benefits provided under social insurance, the third party responsible for the accident is relieved of his liability at the expense of the insurance carrier and the persons financing it, which is also undesirable. To avoid this dilemma, the German social insurance code provides for subrogation.

To the extent that benefits are provided, any damage claim against a third party based on the same incident and designed to cover the same type of damage, is automatically transferred to the insurance carrier. In many cases, especially in all claims arising out of motor vehicle accidents, the third party is covered by liability insurance. In order to reduce the time and cost of reimbursement procedures, most social insurance carriers have concluded so-called loss-sharing agreements with liability insurers. These agreements typically provide that all reimbursement claims below a certain limit are to be paid at a certain fixed percentage (usually around 50%) without questioning their validity, that is, without investigating whether the third party was actually liable.

### 3 Special Problems of Sickness Insurance

Now let me discuss some special problems of the individual branches of social insurance.

Sickness insurance is probably the one branch of social insurance that faces the most serious problems today. These problems are primarily of a financial nature; they are a result of the disproportionate increase of health care costs with which you are certainly familiar.

Sickness insurance is also the branch of social insurance that has the most complicated organisational structure in Germany. There are more than 1800 insurance carriers. Most of them are sickness funds established by large employers exclusively for their employees and another important group consists of so-called substitute funds, most of which existed already as private friendly societies when social insurance was introduced, and were integrated into the system. An employed person who is not covered by an employer's fund or by some other special fund and who does not elect to join one of the substitute funds will be automatically covered by one of the 400 "regular" sickness funds administered by local authorities in town and country.

Further, the social sickness insurance carriers enjoy more autonomy than the carriers in other branches. Each of the 1800 sickness funds sets the contribution rates for its members so that it can provide the minimum benefits stipulated by law and its own additional benefits. Actual contribution rates vary over a wide range among the various classes of funds. The average is now at 11% of salaries.

The social insurance code requires that health care must be provided in kind - by actual performance of hospital and medical services rather than by reimbursing the insured in whole or in part for the amount paid by them to a doctor or to a hospital.

In order to provide those services, the sickness funds have to make global contracts with hospitals and doctors. These contracts fix the fees to be paid by the sickness funds for the various kinds of services, without interfering with the doctors' professional independence. The contracts are the subject of collective bargaining between doctors' and hospitals' associations on one side and the associations of sickness funds on the other side. At times such negotiations have been very bitter and there have been even instances where doctors for a time refused to treat insured persons except as private patients, for individual fees. The insured persons are permanently free to select their doctor.

This system has certain weaknesses. It encourages the insured person to see the doctor for any common cold or other minor ailment rather than treat it at home. As a result, many doctors see a great number of patients and devote only very little time and attention to each of them. Insured often complain of being treated as second class patients compared to those who pay for themselves. Many insured would be ready to pay a part of the bill themselves if they could thereby attain the privileged status of a "private patient", but the social insurance code does not permit any arrangement under which a sickness fund agrees to pay out money instead of providing health care in kind, except for a small class of insured.

It is possible, however, to arrange for additional payments in the event of hospitalisation, covering the price difference between regular ward care and the extra comfort available to private room patients. Such supplementary money benefits are offered by private insurance companies.

In addition to health care, the sickness funds provide a number of other benefits, notably payments as a substitute for lost income, maternity benefits, and benefits in the event of death.

Private sickness insurance companies, of course, have suffered heavy losses of business as a result of the expansionist social policy. I should mention at this point that in Germany private sickness insurance must be conducted by special companies which are not allowed to carry on any other business. This rule was announced a long time ago by the supervisory office and is still regarded as binding today. The legal isolation makes it especially difficult for the sickness companies to make up for the loss of business. The traditional full medical cost policies are decreasing in numbers, and the majority of the contracts which are now written provide limited payments intended to supplement social insurance benefits.

#### 4 Accident Insurance

Social accident insurance provides health care, compensation for lost

income, and rehabilitation whenever an employed person suffers a work-related accident, or contracts an occupational disease. The insurance is administered by co-operative employers' associations, separately for the main classes of industries, and by public agencies established at different levels of the government structure. Contributions to the employers' associations are paid exclusively by the employers. For assuming this burden, the employers are compensated by being relieved of damage claims. An insured who receives accident insurance benefits cannot claim damages from his employer or fellow employees on account of the accident except where the injury was caused intentionally. So accident insurance has the aim of appeasement in relations between employer and employee.

Like some other continental accident insurance systems, coverage under German social accident insurance is not restricted to accidents suffered while the insured is actually working but includes all accidents occurring while the insured is on his way from his home to his place of work or back. This rule brings a great number of traffic accidents within the range of social accident insurance, and with the generally rising tendency of traffic accidents is becoming an increasingly heavy burden for the insurance carriers. In the average, way-to-work accidents account for about 10% of all accidents. For the lawyer it may be interesting to know that there are thousands of decisions on the question - "Was the employee on his way to work?"

The peculiar nature of social accident insurance, especially the fact that the insured themselves do not contribute to its costs, has inspired the legislature to use the system for compensating other kinds of accidents that are not related in any way to a person's employment but for which nevertheless for reasons of social policy compensation is regarded as necessary. Over the years, the list of such irregular coverages has grown ever longer. It now includes, for instance, accidents suffered by persons called to testify as witnesses in a court trial; accidents suffered by a person while working on the construction of his own house; accidents suffered by a person in the course of rescuing another person from danger or assisting in pursuing or arresting a criminal; and accidents suffered by blood donors. The latest addition to the list was the inclusion of all accidents suffered by pupils and students in the course of their education at schools and similar institutions. Proposals now under discussion would extend the coverage to injuries suffered by victims of violent crimes.

The liability for compensating such accidents is imposed on the public insurance carriers established at the local level. Consequently this compensation is not financed by employer contributions but out of local taxes. It can be concluded that this technique of compensation can hardly be called insurance any longer. Rather it seems that the institutions of social accident insurance are being used to administer a special form of public relief.

### 5 Pension Insurance

The third branch of the social insurance system is pension insurance, providing old age, survivors', and disability pensions.

Traditionally, there have been separate systems for workers and for salaried employees. This division is increasingly regarded as anachronistic. Changes in production methods, working conditions, and management policies are making it more and more difficult to find a clear distinction between the two classes. The two systems are still governed by different statutes and are administered by different carriers, but the essential rules of those laws are virtually identical, at least so far as benefits and contributions are concerned. One of the most important steps towards equalisation was taken only recently, when the salary limit for employees was abolished. Formerly, employees whose salaries exceeded the limit were no longer automatically insured but could elect to continue membership voluntarily. Now all employees continue to be covered regardless of their salary levels.

The strict separation of the two systems has also caused financial difficulties on account of the fact that the share of blue collar workers in the total working force tends to decline, and the share of white collar workers tends to increase. Since the pension insurance system operates actuarially on a modified assessment system, the workers' pension insurance carriers are expected to show deficits, and the employees' carriers are expected to realise a profit. A special law prescribes adjustment payments from one system to the other.

In addition to the contributions paid by insured and employers, the pension insurance carriers receive substantial subsidies out of the national budget. Such subsidies are in part designed to reimburse the insurance carriers for losses caused, for instance, by the war, by the statutory requirement to pay full pensions where an insured has failed to pay contributions while serving in the armed forces or being detained as prisoner of war.

Pensions are computed according to a rather complicated formula which takes into account first, the number of years for which he has paid contributions or for which he can otherwise claim credit, second, the level of the insured's income in relation to the average income of all insured in each of those years, and third, the average income level of all insured over the three years preceding by one year the year in which the retirement, death or disability occurs.

According to the formula, an insured who retires after having worked and paid contributions for 40 years should receive an old age pension amounting to 60% of his last income, if his personal income at all times during the 40 years equalled or exceeded the average. After 50 years, the pension should be 75%. However, since one of the most important factors in the pension formula is based on average income statistics dating several years back, it fails to recognise the most recent increases in average incomes, which under present inflationary conditions have been quite substantial. Consequently, the percentages which under stable conditions would result from the formula are rarely achieved in practice.

Survivors' pensions are smaller. Disability pensions are usually smaller too, because the insured has accumulated fewer years of credit.

The regular age of retirement is 65. A new law enacted in 1972 permits voluntary retirement at age 63, with any appropriately reduced pension.

Since 1957, all pensions have been "dynamized", that is, they have been tied to the rising income level of the working population. Each year, current pensions are adjusted by a percentage which is fixed by the legislature upon the recommendation of a committee of experts. The adjustment has to take into account, among other things, the strength of the economy, and the development of general productivity and of the average income of employed persons. Thanks to consistent improvements in productivity and income levels, this method of adjustment has produced pension increases over the past fifteen years that go far beyond the rate of inflation.

However, the pension adjustments only follow the development of average incomes with a delay of about three years. Thus, for the past two years, adjustments have been comparatively modest, reflecting low growth rates during the recession period of 1966 and 1967. At the same time, both inflation and income increases have

been running rather high, and this co-incidence has produced complaints and calls for a reduction of the delay. One result, which was probably influenced by political considerations in the election year of 1972, was that the adjustment due for the 1 January 1973 was advanced by six months. The next adjustment will be on the 1 July 1973; it will probably amount to 11.3%. Furthermore, the adjustment formula was amended. It now requires, in addition to the factors already mentioned, that after 40 years of insurance the average pension shall not be less than 45% of the present average income of working insured. Of course, such generous regulations and adjustments command their price. The contribution rates have had to be increased several times in recent years. They are now at 18% of salaries for pension insurance alone.

## 6 Unemployment Insurance

Unemployment insurance is the youngest and smallest among the major branches of German social insurance. Despite its relatively short life, it has been subject to dramatic changes and developments, due to the volatile nature of the risk of unemployment, and its dependence on general economic conditions.

Since 1957, there has been practically no unemployment in Germany. Rather, there has been a shortage of labour that has drawn more than two million foreign workers into the country.

So, for some time, the only problem facing the German unemployment insurance system was what to do with its ever increasing reserves. Contribution rates were drastically reduced over the years; for a short time, no contributions were collected at all. Now they amount to 1.3% of salaries.

In the absence of structural or economically induced unemployment, increased attention was directed at seasonal unemployment, especially in the building and construction trades. Traditionally, the administration of unemployment insurance has been combined with employment agency services. In fact, the Federal Labour Office and its local branch offices are by statute vested with a monopoly to act as intermediaries between persons looking for employment and potential employers. When the situation on the labour market changed, the offices found themselves lacking applicants for jobs, and after some hesitation made considerable efforts to adjust their operations to the new market.

Under the new law, which is appropriately called Labour Promotion Law, preventive measures of various kinds take precedence over the traditional money benefits to unemployed persons. Among the preventive measures, the most important ones are the promotion of individual occupational education, either for a higher level in the same occupation, or for a different occupation offering better employment chances. The persons desirous to educate themselves receive benefits to help them defray both their living expenses and the cost of the education programme.

The Federal Labour Office is also authorised to support occupational training and education programmes by granting general subsidies, and it may even subsidise business concerns who promise to create employment opportunities.

The new preventive benefits, especially the education subsidies, have turned out to be very popular, and are being utilised to a larger extent than anticipated. Since they are financed out of contributions which formerly had to cover unemployment benefits only, a new financial problem is about to develop, this time one of insufficient funds, and there have already been warnings that it will be necessary to increase contribution rates again.

### III THE COST OF SOCIAL SECURITY IN INTERNATIONAL PERSPECTIVE

After this very short and much too imprecise survey of German social insurance, let me finally return to the problems of the larger European Community.

Everybody agrees that social security costs a lot of money, and that there are financial limits to its expansion. However, there is less than full agreement about the maximum burden that the economy and individual citizens will bear. The views on this matter are influenced by conflicting doctrines of economic and social policy and may also be related to different national characters. It will not be easy to reconcile such differences.

Moreover, it has not even been possible so far to determine exactly the cost of social security so that reliable comparisons can be made among the various countries. It is true that "social Budgets" are regularly drawn up in many countries, including Germany; and plans to prepare a "European social budget" are pursued vigorously in the European Community. But the picture presented by existing statistics is far from being accurate.

The statistics usually list the amounts spent under public social security programmes, whether raised in form of contributions or taken out of the general budget. But they fail to take into account the amounts spent under private insurance contracts made by persons who would otherwise be covered by social insurance but are exempted because they carry equivalent private insurance, so that the private insurance in fact performs the function of social insurance. They also neglect the considerable amounts involved in the innumerable benefits provided in the tax system in form of socially motivated exceptions or deductions.

With these reservations in mind, it is nevertheless possible to compare to some extent the social security expenses of the member countries of the European Community, and one cannot fail to be impressed by the progress that has been achieved since the creation of the Community, and by the extent to which former discrepancies between the various systems have been mitigated. In all countries, the share of the gross national product devoted to social security has increased substantially. While in 1958 it ranged between 12.4% and 18.6% among the six member countries, it varied between 17.2% and 21.6% in 1971.

The statistics indicate, however, that social security improvements are rather sensitive to the general condition of the national economy. So far, the remarkable progress of social security in the Common Market has come in the company of extraordinary economic growth. The real test would come if some day the rate of growth should decline, or if there should be no growth at all.

Of course, it is one of the major objectives of a common social, monetary, and economic policy to prevent exactly such an event from happening, and with the assistance of the three new Community members, I am quite confident that such policy will succeed.