vent catastrophic drops in postretirement income. In 1962, the median amount of investment income of all aged persons was less than $300.[7] Not only do people fail to plan ahead carefully for retirement; even in the later years of their working life, many remain unaware of impending retirement needs.[8] Unfortunately, the mistakes of youth are to a large degree irreversible, since it is generally impossible to accumulate in a short period just before retirement sufficient assets to provide adequate retirement income. In an urban, industrial society, Government intervention in the saving-consumption decision is needed to help implement individual preferences over the life cycle. There is nothing inconsistent in the decision to undertake through the political process a course of action which would not be undertaken individually through the marketplace.[9]

Even if an individual plans ahead and gages accurately his retirement needs, it is questionable that he has sufficient knowledge about other relevant considerations to make the necessary saving consumption decisions. The depression of the 1930's illustrated dramatically the difficulties that even experts encounter in planning their personal investments. The information required for intelligent longrun investment planning is expensive; for small investors, the cost of hiring professional investment counseling (for example, in the form of purchases of shares in a mutual fund) is frequently prohibitive. Deficiencies in Government economic policy that permit depressions and inflations may sweep away the carefully planned saving of even the most provident and skillful investors. The available evidence suggests that the problem of uncertainty may explain why people do not save enough. Apparently, once a private pension plan has provided a minimum base of retirement income, most people are willing to save *more* on their own, rather than less.[10]

A person who is saving for retirement generally faces the investment dilemma of choosing between fixed yield assets that offer little protection against inflation and other instruments that require financial sophistication or carry considerable risk. Time deposits in commercial banks and other institutions fall into the first category. Yields on such deposits offer small returns after allowance for the steady increase in prices that has occurred since the end of World War II. Common stocks fall into the second category; as the *major* form of savings, they are beyond the sophistication of the majority of the population. Even if an experience like the stock market crash of 1929 is

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[7] Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (U.S. Department of Health, Education, and Welfare), Social Security Administration Report No. 19 (1967), table 3.18, p. 302.

[8] According to a field survey taken in 1960, less than half of nonretired persons over 55 years of age were able to estimate the amount of income that they would obtain from their retirement program and from social security. More than two-thirds were unable to estimate their income requirements during retirement. (See James N. Morgan, Martin H. David, Wilbur J. Cohen, and Harvey E. Brazer, *Income and Welfare in the United States* (McGraw-Hill, 1962), p. 442. See also the discussion by Derek C. Bok, "Emerging Issues in Social Legislation: Social Security," *Harvard Law Review*, vol. 80, No. 4 (February 1967), pp. 738–739).

[9] This tendency to make economic decisions politically is reviewed by William J. Baumol, *Welfare Economics and the Theory of the State* (second edition, Harvard University Press, 1965). (See also Stephen A. Marglin, "The Social Rate of Discount and the Optimal Rate of Investment," *Quarterly Journal of Economics*, vol. 77, No. 1 (February 1963), pp. 95–111.)

[10] See Phillip Cagan, *The Effect of Pension Plans on Aggregate Saving: Evidence From a Sample Survey*, National Bureau of Economic Research, Occasional Paper No. 95 (Columbia University Press, 1965); and George Katona, *The Mass Consumption Society* (McGraw-Hill, 1964), ch. 19.