transformed equation, the estimated elasticities are substantially lower for retirees below the age of 65. They are also considerably higher for retirees 65 and older in all but one case. As one might expect, it is extremely low (less than 0.01) for retirees below the age of 55, who have participation rates exceeding 0.95. Of the two sets of estimates, those based on the transformed participation rates are probably more reasonable for the range of data under consideration.[26]

TABLE 6.—ELASTICITIES OF LABOR FORCE PARTICIPATION RATES WITH RESPECT TO FAMILY INCOME OTHER THAN WAGE-AND-SALARY INCOME OF RETIREES

Level of school completed and age	Estimated from equation	
	2(L_2 dependent variable)	4($\frac{L_2}{1-L_2}$ dependent variable)
Less than 8 yr.:		
35 to 44 yr.	−0.720	−0.036
45 to 54 yr.	−.720	−.112
55 to 64 yr.	−.720	−.579
65 yr. or more	−.720	−1.691
9 to 11 yr.:		
35 to 44 yr.	−.720	−.038
45 to 54 yr.	−.720	−.074
55 to 64 yr.	−.720	−.493
65 yr. or more	−.720	−1.616
12 yr:		
35 to 44 yr.	−.720	−.025
45 to 54 yr.	−.720	−.063
55 to 64 yr.	−.720	−.390
65 yr. or more	−.720	−1.456
13 to 15 yr.:		
35 to 44 yr.	−.720	−.043
45 to 54 yr.	−.720	−.065
55 to 64 yr.	−.720	−.385
65 yr. or more	−.720	−1.420
16 yr:		
35 to 44 yr.	−.720	−.081
45 to 54 yr.	−.720	−.108
55 to 64 yr.	−.720	−.531
65 yr. or more	−.720	−1.477
17 yr. or more:		
35 to 44 yr.	−.720	−.078
45 to 54 yr.	−.720	−.083
55 to 64 yr.	−.720	−.404
65 yr. or more	−.720	−1.223

SUMMARY

This paper examined some economic implications of the military retirement program, which is noncontributory and, in general, vested only after military personnel have completed 20 years of active military service. The absence of vesting before 20 years was expected to inhibit mobility of military personnel prior to 20 years, and the retirement income received by retirees was expected to reduce their labor force participation after they had retired.

Examination of loss rates of active-duty military personnel by years of service completed revealed that losses peak at the end of the first tour of duty and gradually decline until 20 years of service are reached at which time they peak again. Both the decline in loss rates after the initial peak at the end of the first term and the 20-year peak are consistent with the hypothesis that the military retirement system inhibits mobility. However, it was not possible to attribute the declining

[26] Because the equation with participation rates as the dependent variable has no asymptote, six observations have estimated participation rates greater than 1, a completely impossible occurrence.