

posable income. They remain as an element of personal saving, since that is defined as personal disposable income less personal outlays (mostly for consumption). The two kinds of government funds in question, namely, funds of State and local governments, and the Federal Civil Service Retirement Fund, are treated differently in our national accounts. Contributions to them are deducted as social insurance contributions in moving from national income to personal disposable income. Their interest earnings have already been excluded from national income and product in the calculation of net government interest paid (all of which is excluded from national income). These funds, like private funds, and unlike the OASDHI fund, are run on a more or less actuarially funded basis; increments are, therefore, treated here as part of personal saving just as increments to private funds are so treated in the national accounts.

Table 1 suggests a rising trend in the share of personal saving taking place through pension plans. This view is borne out by regressing that share on time as a variable; time is significant at the .001 level.¹⁵ This result is not surprising in view of the fact that pension saving is growing more rapidly than output and income, and the roughly constant share of personal disposable income which is saved. The latter variable, personal saving as a percent of personal disposable income, has fluctuated considerably, but shows no significant time trend.¹⁶

These findings are somewhat puzzling in the light of evidence that pension saving is likely to be added to other saving, thus increasing the share of income saved. The authoritative study in this matter is that of Phillip Cagan.¹⁷ His findings from a sample of households suggests that the saving ratio should rise, *ceteris paribus*, as pension saving grows in volume and spreads throughout the economy. He, of course, discusses the apparent inconsistency in household sample and aggregate time series data, and concludes that other forces making for smaller saving ratios must have offset the influence of pensions during the postwar period.

In any event, since the share of disposable income saved by households has not systematically risen, and since pension saving has grown more rapidly than output or income, the share of pension saving in personal saving has assumed major significance, exceeding 40 percent in 3 of the last 5 years.

If pension saving performs in the manner which is projected in section IV below, it will continue to rise as a share of personal saving, unless personal saving begins to rise as a share of disposable income. This latter possibility should not be ruled out; whatever forces may have offset the tendency of pension saving to increase total saving in the recent past may not continue to operate. We should be prepared to face the policy implications of a small upward shift in the share of disposable personal income saved.

¹⁵ For the period 1946-65, regressing the share of pension saving in total personal saving on time yields, $x = 13.06 + 1.54t$ where x is the share of pension saving in personal saving. The standard error of the t coefficient is .167.

¹⁶ For the period 1946-65, regressing the share of personal disposable income saved (y) on time (t) yields

$$y = 7.55 - .055t$$

The standard error of the t coefficient is .044, and is not significant at any reasonable level.

¹⁷ Cagan, *op. cit.*