

pension funds will likely rise from the present 5 percent, though too many variables are involved to make any projections worth serious consideration. Perhaps the major issue discussed here is the impact of pension saving on aggregate saving, and the resulting public deficits which might be required to keep the economy in the neighborhood of "full employment," somehow defined.

If one takes the view that our major problem has been that of too little saving, then there is no policy problem at all. If one takes the other view that private planned saving, including pension saving, is likely to exceed planned investment in most years at recent rates of growth, then a policy problem emerges. A problem emerges; that is, unless one takes the neoclassical view that the interest rate, the profit rate, the capital-output ratio, and factor substitutability all smoothly adjust to the higher implicit growth rate. In the "oversaving" case, which I think, on balance, to be the most likely case, Federal policies might take two directions: one is to realize the growth rate implied by a savings share and savings level which tends to outrun "sustainable" investment ("sustainable" in the sense discussed above). This would involve measures to accelerate technological change, along with other measures to raise the rate of increase in labor productivity such as basic education, retraining, elimination of barriers to entry, relocation allowances, and the like. Lower interest rates, along with measures to raise apparent capital productivity (such as the investment credit) could also be part of the program.

To the extent that the "equilibrium" (in a rough sense) growth rate cannot be accommodated to the (possibly rising) full-employment saving ratio, there is implied a second policy measure. This measure is a fiscal policy resulting in a growing Federal debt (monetary ease as a stimulant is really part of the growth-accelerating policy set mentioned above). Thus, as we have suggested, pension funds might be accumulating financial claims while the Federal debt is growing. Relative yields on stock and Government securities would have to adjust in such a way that pensions funds would acquire at least some of the Government securities. The lower interest rates implied by the "oversaving" case, incidentally, will tend to raise the volume of pension funds required to maintain a given funding level.

As a final statement, one cannot reach normative judgments about the future of pension funds and aggregate economic variables without first forming some judgment about future aggregate demand prospects for full employment. This is a hazardous territory indeed; the last 50 years are littered with the shattered reputations of competent economists who went astray at this point. My own view, which surely must have come through clearly in the preceding pages, is that investment is likely in most years to fall somewhat short of full-employment private saving. The growth-accelerating policy set would be my own first choice. To the extent that full-employment private saving is not thereby absorbed, maintaining a roughly defined full employment growth course will require Federal deficits and a rising debt.

An alternative policy measure which seems to merit careful consideration is the development of a reinsurance plan which will assure employee benefits but require a lower level of funding for private plans. This possibility is explored elsewhere in this symposium. It is important to realize that reinsurance has implications beyond benefit pro-