two specific schemes, represented by the points S and L, which he labels the "Samuelson plan" and the "Lerner plan," respectively. Now both S and L are in fact on the efficient frontier of the shaded set and, therefore, both represent distribution schemes for which the rate of interest is equal to n. The discussions by both Samuelson and Lerner, in which the point L is referred to as corresponding to a *zero* rate of interest, therefore, seem to be in error.[2] The only point on the efficient frontier which could possibly be taken to represent a distribution scheme with zero interest is the point (1, 0), where the rate of interest can be taken to be any real number, including zero (and also including n).

Let us turn now to the question of choosing between alternative distribution schemes. If we take all the feasible distribution schemes and ask a member of generation t which of these he prefers, he will no doubt say that the schemes which satisfy the requirement

$$C_i^1=1,\ C_i^2=1+\mathrm{n},$$

are highest on his preference scale. These are the schemes which give generation t all the output in period t, as well as all the output in period $t+1$ (under the assumption that *within* each generation all share alike). He will be indifferent as to which of the schemes satisfying this requirement is picked. It is obvious, therefore, that no single distribution scheme will be preferred to all other feasible schemes by all individuals. In a situation of this sort, the economist usually resorts to one of two things: Either he defines an overall social welfare function and picks the feasible distribution scheme which maximizes it, or he restricts the choice of a scheme to a subclass of the original class of all feasible schemes, a subclass such that individual maximization over it will result in compatible choices. The subclass of all stationary distribution schemes clearly has this property, since stationary means that everybody has the same lifetime consumption profile. Thus, if we agree to restrict the search for a distribution scheme to the class of all stationary schemes [3] (and this agreement is extraneous to the analysis, just as the choice of a social welfare function would be) we can find one distribution which maximizes everybody's utility. We write

$$\max U(C^1, C^2)$$

subject to the constraint that the stationary scheme be feasible, that is, subject to

$$C^1+\frac{C^2}{1+n}\leqq 1.$$

This is indeed Samuelson's maximization problem (leading to the point S in his diagram as the solution), but stated in terms of choice among distribution schemes rather than in terms of the opportunities open to a "representative man." It should be stressed again that all the efficient points in the set over which the maximization takes place

[2] Samuelson and Lerner both refer to the case where $n=1$ and L is the point (⅔, ⅔). Clearly, at that point every person foregoes ⅔ units of output in the first period and receives ⅔ in the second period, which corresponds to a rate of interest of 100 percent.

[3] It seems that Lerner's concern for the equality of income distribution ought to lead him to stationarity (everybody getting the same consumption profile) and not to equality of consumption for all *within* each time period (that is, $C^1=C^2$), which he seems to advocate in the above-cited references.