income and capital funds. Thus, one of the basic components of our study has been a projection of the magnitudes of such determinants of future economic influences as coverage, contributions, beneficiaries, benefit payments, and fund earnings and accumulations.[3]

The questions which arise in making these projections are discussed at length in Holland's study. The extrapolation of past trends has a certain validity because of the long-time span of pension commitments. Moreover, most of the pensioners in the year 1975 will already have qualified for a large share of their prospective benefits. The costs have been incurred and may have actually been funded in whole or in part through insurance contracts or trust funds. Despite revisions in employee benefit plans from time to time and the increasing fulfillment of pension promises, the basic framework of pensions for this group is not likely to change materially.

Hence, it is possible to make helpful estimates not only of today's fund flows but also of the transfer payments and capital market flows of 1970, 1975, and 1980. Such estimates enable us to contrast with present and past influences on income and expenditures those transactions which will be generated in the future. What differences will they make? How will recipients of benefits respond to the creation and realization of their equities in pension programs? Who pays the cost of these benefits? How are the costs distributed over time?

The answers to these questions may be different at various stages in the evolution of the pension structure. It becomes essential, therefore, to look at the system from several vantage points: In its early stages, in its rapid growth phase, and in approaching maturity. In chapter II, we have attempted this view of the structure of retirement income arrangements from 1940 to 1980.

The purpose of this view is, first, to appraise the redistribution of income brought about by the emerging pension structure. Chapter III explores this process of income transfers. The incidence of costs and the distribution of benefits are familiar problems of analysis in other contexts. Our inability to produce precise answers should not deter us from exploring the issues. We should even venture to face that old question: Is there some limit to the pensions we can afford? Is this a meaningful question and is there any quantitative answer to it? What might be the result in the distant future of the maturing of pension commitments?

In addition to the direct influence of transfer payments on incomes, spending, and saving, we should trace the impact of fund accumulations under pension arrangements. How do they affect aggregate saving? Our discussion of this major question in chapter IV is based largely upon Phillip Cagan's perceptive analysis.[4] This thorny question also has its time dimension, and the pattern of saving reactions over future years becomes of great interest in the formulation of economic policy.

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[3] Daniel M. Holland, *Private Pension Funds: Projected Growth*, New York, NBER, 1966, deals with these variables in projecting the fund flows through industrial pension plans and the retirement systems of State and local governments. This study will be referred to as Holland's projections throughout this volume.

[4] Phillip Cagan, *The Effect of Pension Plans on Aggregate Saving: Evidence from a Sample Survey*, New York, NBER, 1965. This study will be referred to as Cagan's paper on saving throughout this volume.