A CENTRAL THEME

As previously emphasized, in our urban industrialized society, we deal primarily in claims rather than in tangible goods. A typical employee today accumulates the right to receive income after age 65 from the OASI system of the Federal Government and from a pension plan established by his employer. He can read booklets and calculate what his benefits and those of his survivors will be if and when he attains age 65 in his present employment.

These prospective benefits are translated by him into a certain degree of financial independence, a level of living rather than a money income. At that future date, he expects to have a reliable command over the goods and services which others will be engaged in producing. His very inability to provide for his own retirement by storing up a major portion of his living standard makes him wholly dependent upon the purchasing power of those accumulated claims.

If, by reason of stable economic growth during his remaining working years and during the period of his retirement, productivity gains are substantial, those claims will give him a command over a good level of living. Stable prices and quality improvements are essential for this happy outcome.

Furthermore, he must take into account the attitudes of those who will be providing him with goods and services during his years of retirement. They must be willing to forgo current consumption of real output in exchange for their own accumulation of claims to retirement income. Their willingness to do so depends upon their standard of living, a function of the productivity gains achieved in the economy through investment in all forms.

If the claims to real output of the retired population seem burdensome to the younger employed workers, they will be willing to tolerate or even to stimulate a lightening of the burden through the traditional route of inflation. On the other hand, rising real incomes for the working population make acceptable the diversion of real output to those no longer working. This is especially so if widespread coverage by pension programs relieves the worker of personal responsibility for retired members of his immediate family.

In short, the emerging pension structure has a great potential for good if confidence in claims to retirement income is sustained by an economy which is showing stable economic growth without inflation. Since saving and capital formation play a key role in this process, it is crucially important to determine that public and private pension programs operate in a manner to contribute constructively to the kind of economic progress which will translate their promises into realities.

The central theme of the research project summarized in this volume is the search for a better understanding of the economic effects of the mammoth structure of commitments, benefit payments, and fund accumulations which we are still in the process of creating. Is it well designed to accomplish its exceedingly worthwhile objectives? Can it be improved in some respects? Does it suggest the desirability of other economic policies to reinforce or offset its effects? And finally, what difference does it make if the shares in the total provision of retirement income are altered as between private plans and the tax-supported programs of the Federal Government?