

II. THE CHARACTERISTICS AND FINANCING OF PENSION PROGRAMS, 1940-80

A pension, broadly defined, is a regular payment, normally for life, to provide retirement income to the recipient upon completion of his working years. The payments may be made to the worker or his spouse, or for dependent children. If withdrawal from gainful employment is occasioned by accident or ill health, the payments may be called disability benefits, but the distinction is not important. It is really immaterial whether "retirement" is caused by attainment of a specified age or by inability to continue at work. For purposes of economic analysis, the significant elements of the pension structure are not the details of how a person qualifies for the benefits of a public or private program, but, rather, the nature and financing of commitments to individuals far into the future. Nor is it important whether the contributions are based upon actuarial calculations or a share of profits.

Our interest, then, is in any program, whatever the benefit formula, whatever the source of funds, and whatever the terms and conditions, which serves to maintain income for those who have partially or wholly retired from gainful employment. Private charity and personal gifts, although obviously major voluntary elements in the care of older people, are not within our purview because they do not represent systematic arrangements involving the shifting of group commitments to agencies or institutions which are expected to fulfill them. Individual saving for retirement and old age is less clearly distinguishable from pension programs and must be recognized at certain points, even though it is not a part of the emerging structure for groups of individuals.

In short, we are concerned with those arrangements which are clearly distinguishable from traditional forms of personal saving and expenditure. The questions, as we have seen, relate to the implications of the present and prospective pension structure for the saving and investment process. What difference does it make that we have been creating, and continue to create, an extensive network of arrangements for the systematic provision of retirement incomes to most Americans? What are the new and different factors introduced by this emerging pension structure? What are the implications for economic policy and for the capital markets? The starting point for answers to these and related questions is an identification of the peculiar characteristics of the present and prospective structure.

PUBLIC AND PRIVATE PENSION PROGRAMS: AN OVERVIEW

Somewhat arbitrarily, the period from 1940 to 1960 can be considered the period of the development and rapid growth of institutional arrangements. By 1960, the public and private programs had become firmly established, powerful influences in our structure of income distribution. These were the decades of most rapid growth in the creation of promises and expectations for greater financial security in old age.

In contrast, it is possible to view a second 20-year period from 1960 to 1980, not only as a period of amendment and enlargement, but also as