

2. During the next decade, the flow of annual benefit payments could increase by at least 60 percent, just from existing programs. A 100-percent increase is more likely. In the latter event, benefit payments would represent perhaps 7.6 percent of personal income, compared with 6.4 percent in 1965.

3. The irreversible nature of retirement income commitments running far into the future means that we are issuing claims on goods and services to be produced in the future at a rate substantially in excess of the prospective rate of growth in real output.

4. The full implications of this structure of costs and benefits for the distribution of income, consumption and saving, and the functioning of the capital markets need further exploration. (These are the topics of succeeding chapters.)

Systematic efforts, on a group basis, to spread income over the latter segment of the lifespan, instead of merely over the working years, obviously call for a complicated machinery if they are to be broadly inclusive of a mobile, diverse population, like that of the United States. The coordination and integration of various programs have made excellent progress at the level of specific benefit formulas. Can they be related to broad economic objectives as well? Can we establish a more effective framework for the analysis and appraisal of the economic effects of the decisions we are about to make regarding the future structure of pension arrangements?

III. PENSION PROGRAMS, THE REDISTRIBUTION OF INCOME, AND SAVING

The preceding chapter's overview of the characteristics and financing of pension programs highlighted the past, present, and potential future aggregate flows of income which the programs generate. We examined the development of a network of arrangements designed to transfer income (goods and services in real terms) to individuals no longer in the work force. This income is transferred from other individuals, of course, in a variety of ways. This process and its possible economic effects are the subject of this chapter.

PUBLIC PROGRAMS

The Primary Role of OASDI

As we have seen, the major factor in the current and future collection of receipts and distribution of benefits is the Old-Age, Survivors, and Disability Insurance System. A possible effect of creating these expectations of old-age and survivor benefits is that individuals would save less in other forms. That is, they would substitute the accumulation of claims against the system for other financial or tangible assets. Because coverage has become so close to universal, it is not possible to test this possibility by comparing the saving behavior of large groups of people not covered by OASDI with those who are covered.

In chapter IV, below, we deal systematically with the question of the impact of other accumulations of pension claims on aggregate saving. This is done by examining the saving behavior of households similar, in most characteristics, except coverage under a plan which supplements OASDI. In the absence of a similar approach to deter-