

mining the effect of OASDI coverage on saving in other forms, we turn to the reasoning developed by Cagan and Katona as discussed in chapter IV.

In essence, their hypothesis is that the promise of some minimum level of income in old age stimulates motivation to supplement it in other forms. These forms have included supplemental pension plans, life insurance, and liquid-asset holdings. It is common practice, for example, for life insurance agents to provide information about OASDI benefits to prospective purchasers of their policies. This approach succeeds because the agent can present a program for improving the adequacy of financial security to be built upon a base which already exists. This is similar to the experience with life insurance provided to members of the Armed Forces; on balance, it has encouraged the sale of policies by agency companies.

The evidence summarized in chapter IV supports the view that the creation of equities in the OASDI system has not served as a substitute for saving in other forms. Widely expressed fears that individuals would lose their incentive to save if this comprehensive protection were provided have proved to be without foundation. However, the limitations of the body of evidence on saving behavior should be kept in mind. To be more precise in describing experience since the adoption of OASDI, we should state the conclusion in these terms: protection against the hazards of old age, disability, and death, the record shows that it has been a stimulus to other individual and group programs to serve the same ends.

2. The increases in OASDI benefits have not kept pace with improvements in real living standards. To date, the program has not provided an increasing share of total old-age income objectives.

3. We have no body of assembled evidence, therefore, as to what would be the effect upon saving in other forms of achieving a goal of "adequacy" as it might be defined in relation to some widely accepted concept of living standards.

Robert M. Ball, the Commissioner of Social Security, urges that we consider social security rather as a retirement system than as an anti-poverty program, pointing out that it is the only retirement system for 80 percent of the beneficiaries. He argues that a test of adequacy is relevant and timely.¹ Similarly, the President's 1967 budget message discusses proposed changes in benefits in terms of adequacy.

From what we know about the saving function of individuals, it is impossible to specify the level at which prospective benefits cease to stimulate saving in other forms and begin to inhibit it. The type of analysis made by Cagan is a contribution to the search for reliable evidence, but does not suggest answers which would necessarily be applicable to a program of the size and scope of OASDI. Revisions of a universally applicable system can be expected to change the attitudes and expectations of a whole society.

Nevertheless, it is essential that this question be studied so that, if decisions to move toward a concept of adequacy are made, their consequences for saving in the economy may be taken into account. This is not to say that economic factors should control. After all, fiscal policy

¹ Robert M. Ball, "Policy Issues in Social Security," *Social Security Bulletin*, June 1966, pp. 3-9.