

present. Such individual gains and losses will be minimized, however, if the benefit formula is equitable and the plan has been in effect for an extended period.

Under a pension plan in the design of which individuals have had an opportunity to express their views, that is, a voluntary or negotiated plan, this kind of arrangement appears to involve no special burden on the individual participant. While the saving feature may be compulsory and the utility of retirement income may vary between individuals depending upon their preferences and expectations, the burden of participation in a plan characterized by equity and uniformity is not material.⁸

Wage- and service-related benefit plans covering individuals in public and private employment, therefore, do not involve significant burdens.

Tax-supported old-age benefits, on the other hand, involve the burdens characteristic of any element of the revenue gathering and distributing structure. The transfers between income brackets which social insurance is designed to make set up pattern of gains to those who earned less and losses to those who earned more during their years of active employment. But, this is no special characteristic of pension arrangements; it is common to almost all segments of the tax structure which involve the redistribution of income among income classes and age groups.

There is evidence to the effect that a program involving greater income redistribution creates greater resistance to that program on the part of those bearing the burden of the transfers. In a study of social security systems around the world, Henry Aaron found that countries relying more heavily on general revenues tend to spend less on social security in proportion to national income than countries relying more heavily on payroll taxes to finance benefits.⁹

The gain-loss patterns of social security, veterans' benefits, and old-age assistance, however, cannot be considered apart from the whole structure of transfers involved in the fiscal operations of governmental units. The income redistribution effected by pension arrangements must be examined in the context of the redistribution effected by the personal income tax, excise taxes, or estate and gift taxation. Moreover, it should be noted that to some extent social security programs merely replace voluntary and intrafamily transfers in favor of the aged. The substitution of tax burdens for the individual's own perception of his obligation to an aged or disabled person represents, therefore, a change only in the form of the burden on the active worker.

We conclude that the structure of public and private pensions involves no special burdens which are not characteristic of any broad scale of income transfers over time and across a population enjoying a wide range of incomes and living standards.¹⁰ We also conclude that

⁸ This conclusion does not ignore the reality of possible income transfers from younger to older workers, from men to women, from transient to career employees, and among individuals in different income classes.

⁹ Henry Aaron, "Social Security: International Comparisons," in Otto Eckstein, ed., *Studies in the Economics of Income Maintenance*, Washington, 1967, pp. 28-29.

¹⁰ For closely reasoned discussion of this question of burdens, see Daniel M. Holland, "The Pension Structure," *Federal Expenditure Policy for Economic Growth and Stability*, Joint Economic Committee, U.S. Congress, Nov. 5, 1957, pp. 1007-1009.