

structure affects the level of expenditures by Government. If Federal and State taxes on income are higher as a consequence, the principal result may be a reduction in the level of other saving, particularly personal saving by upper-income individuals. However, saving in the aggregate is larger, we have seen, by the full amount of retirement saving. Thus, a discernible result may be to make savings by different income groups less unequal than would otherwise be the case. That is, the lower-income groups may save more, and the higher-income groups less.

If the pension structure is designed to shift income earned in productive effort from the working years to the years of retirement, it is not unreasonable to shift the incidence of taxation with it. If there were no differential in applicable rates of tax, revenues would be unchanged after the transitional period. However, the double personal exemption for those over 65, the retirement income credit, and the exclusion of OASI benefits from tax are all steps designed to lighten the tax burden on pension benefits. Thus, employees in the aggregate, if we assume some stable revenue requirement, pay higher income taxes on wages and salaries during employment and lower taxes after retirement. In this light, the public and private pension structure is a mammoth transfer operation, probably without any important impact on Government saving in either direction.

In another sense, also, the argument is admissible that the tax benefits afforded systematic programs to provide retirement incomes supplementary to OASI having nothing to do with Government saving. A long-term decision is reached that encouragement should be given to certain financial arrangements. Having made this decision, governmental actions are taken to establish whatever pattern of revenue and expenditure policies seems most likely to afford promise of sustained economic growth and rising living standards.

THE IMPACT ON TOTAL NATIONAL SAVING

Our research has supported the proposition that pension saving is a net addition to personal saving. Less clearly established, perhaps, is the extension of this conclusion to state that it is a net addition to total national saving. The impact on saving by business and Government is not clear, but it seems doubtful that it is materially affected.

There is also some evidence that this major impact has already been felt. If it is desirable to sustain the growth of saving in the economy, some other economic policies may be more fruitful in the future. On balance, however, the tax and other policies which have fostered pension fund growth appear to have been appropriate, in the environment of the postwar years, to the objective of increasing saving. If balanced economic growth should require either a higher level of saving or a higher level of consumption in the future, it will be most desirable to resurvey this whole topic again.

It is evident, however, that the long-term nature of pension arrangements makes them unsuitable as a focal point for short-term adjustments in the pattern of spending and saving. Tax and expenditure policies designed to foster stable economic growth can clearly be more