The practice has been to maintain a contingency reserve of varying amounts in the trust funds. That is to say, an approximate balance is sought between payroll taxes and benefit payments so that the assets held by the trust fund increase or decrease by only small amounts from year to year. This means that the OASDI program plays only a minor part in Treasury debt management operations. The trust funds can, of course, participate in advance refundings and acquire public issues, but there are not likely to be important net sales or purchases from this source.

Federal Employees

In the 5 fiscal years ended June 30, 1965, the Federal Employees Retirement Funds acquired $5.5 billion of Federal Government securities as the trust funds grew at a steady pace to more than $15 billion. These funds, principally the Civil Service Retirement System, are far from fully funded by conventional actuarial standards. There has been no disposition on the part of the Congress to vote the necessary appropriations to fund the deficiency, and it appears likely that accumulations will remain modest.

Unless this pattern is changed, these retirement programs for Federal employees will not become important in management of the public debt. While receipts rose from a $2.0 billion rate in fiscal 1961 to $2.7 billion in fiscal 1965, expenditures showed an increase from $1.0 billion to $1.4 billion. The cost-of-living adjustment feature could cause pension payments to rise even more rapidly under certain circumstances.

Railroad Retirement

The assets of the Railroad Retirement account have shown no significant change for a number of years. A mature system, with an aging membership and faced with the need for periodic increases in contribution rates, the Railroad Retirement System is unlikely to show any growth in the years ahead. The present assets of $3.9 billion, furthermore, no longer represent an important accumulation of funds.

Armed Services and Veterans

While pensions to retired members of the armed services and veterans' benefits are significant components of aggregate transfer payments, they involve no participation in the capital markets. Benefit payments are current expenditures from general revenues as much a part of the Federal budget as regular salaries. It seems quite unlikely that any portion of accrued liabilities will be recognized through the creation of trust funds and the accumulation of security holdings. Thus, these large programs will not have any impact on the capital markets except, of course, as they may indirectly affect the budgetary position of the Federal Government, and, hence, its demand for funds.

Federal Government Programs as a Whole

Taken as a whole, Federal social security and pension programs produce a modest annual cash surplus on the average. If the administrative budget is in balance, the cash surplus is enlarged and publicly held debt is retired to this extent. (Or publicly held debt is increased less if the administrative budget is in deficit.) To this extent, Federal programs are a factor in determining the new money needs of the Treasury. On the basis of the past decisions made by the Congress in