public and private arrangements which characterize an urban industrial society. We have reviewed the creation and development of a mammoth pension structure and have attempted to preview its future growth and progress in attaining maturity. In the process of looking at these several segments of the whole, we have been at pains to remind the reader that pensions are not a separate structure but a part of the warp and woof of the fabric of our economy. The purpose of this chapter is to reflect briefly on some of the implications of this study of economic aspects of public and private pensions.

IMPLICATIONS FOR SAVING AND ECONOMIC GROWTH

The social security and other pension programs of the Federal Government, we have seen, act to sustain consumption and to depress the ability of individuals to save. The present system of payroll taxes to finance the OASDI system is less powerful in this direction than the financing of noncontributory programs through general revenues. It is simply not possible to lift living standards of the aged without the redistribution of income which these and other fiscal activities involve. The size and especially the prospective growth of these redistributive arrangements should, however, be taken into account in any appraisal of the influence of the total Federal tax structure on economic growth.

The pension plans covering employees of State and local governments and individuals in private employment, to the extent that they are systematically funded, generate saving which is substantially a net addition to total saving in the economy. This is especially significant because the saving permits investment in business capital and housing. The flow of funds to finance business plant and equipment, inventories, research and development, and trade credit plays an increasing role in enlarging and improving the efficiency of productive capacity.

On the basis of our projections, the net flows into the markets for corporate securities and mortgages from both State and local government and private pension plans will increase from $10.4 billion a year in 1965 to more than $12 billion by 1975 and over $14 billion by 1980. These figures for net flows ignore the funds also provided in the form of corporate retained earnings of portfolio equity securities. To that extent, the projections represent an understatement of the volume of business capital financed. In any event, unless there is a major change in the trends presently indicated, it is clear that while these funds will finance a growing amount, they will contribute a diminishing share to the growth of capital assets in the business sector. This may or may not be disturbing to our expectations for economic growth, depending upon how we anticipate developments in other influences on the saving and investment process.

The projections, of course, are only an expression of the probable net effects of many influences. The realization of substantially higher returns can depress the level of contributions and of pension savings. An acceleration in the pace of the extension of coverage, in the trend toward more liberal vesting provisions, and in the rate of funding can continue to increase the rate of pension saving for another span of years. Our analysis of the working of the pension structure is, therefore, more illustrative than predictive.