

Our exploration of the question of the burdensomeness of pension arrangements suggests that there is no precisely determinable level of what the economy can afford without sacrificing some of its vitality and potential for growth. The size of the net burden attributable to the structure of benefit programs is apparently not great, especially if the plans for employees of State and local governments and private organizations continue to carry an important share of the provision of benefits.

The need for improved data and techniques for the measurement of the gain-loss patterns involved in huge transfers of income has been demonstrated by our analysis. The fruitfulness of further investigation and research in this area is evident for the informed evaluation of the economic consequences of alternative courses of action.

To set tax-supported pension programs apart from all of the other fiscal operations of government and to attempt to assess their influence on incentives and productivity gains is to create an artificial and unreal framework of analysis. Rather, the issue of what we can afford in the way of old-age income provision must be considered together with the whole range of public policies which affect the returns to different factors of production. Indeed, the interrelations between these and other public welfare objectives must be examined and constantly reexamined in a changing economic environment.¹ It is idle to appraise the influence of pension commitments running far into the future apart from the whole range of commitments being made in other areas. What we can afford, in some meaningful sense, is the total share of real output that can be diverted from the factors of production which provide it without impairing the incentives and motivations for continued expansion and growth.

IMPLICATIONS FOR ECONOMIC STABILITY

Pension and disability benefits clearly operate as contracyclical influences in the direction of economic stability. Retirements tend to increase when employment opportunities wane. The level of contributions, especially in private plans for the funding of past service liabilities and in profitsharing plans, is sensitive to changes in corporate profits. Income maintenance is aided by rising benefits in periods of slack employment, and pension saving declines slightly in periods of less active demand for business capital investment.

In any case, the regularity of benefit payments is another of the built-in stabilizers in the economy.² Public and private pension programs will continue to provide a growing share of the income payments not susceptible to cyclical variations in aggregate economic activity.

The question has been raised as to whether pension saving is not too stable in times of deficient aggregate demand for consumer goods and services. As a consequence, it is argued, the cyclical changes in saving rates which contribute to stability are muted by the regularity of pension saving.³ One answer is that the limits on the variability of pen-

¹ See this writer's "The Future of Private Pensions: Some Economic Aspects," *Journal of Risk and Insurance*, March 1967, pp. 27-32.

² Cf. Arthur F. Burns, "Progress Towards Economic Stability," *American Economic Review*, March 1960.

³ [Nelson D. McClung] *Old Age Income Assurance: An Outline of Issues and Alternatives*, U.S. Congress, Joint Economic Committee, November 1966, p. 18.