

again it may not. The factors which prompt businessmen to invest are diverse or at any rate poorly understood, but there is little evidence that the availability of funds or the rate of interest are of much significance except on occasion in exerting restraint. Were the economy operating at rates of growth which tended chronically to be excessive, there would be a case for devising ways to induce additional saving and a highly fragmented pension system might be as good a way as any. However, the economy is not subject to chronic excess demand; rather, there is a more or less continuing problem of keeping demand adequate. In such circumstances, a high rate of saving does not add to but subtracts from the capital stock by depressing demand for output and the motive to invest.⁷

The ideas thus expressed resurrect the "stagnation thesis," which enjoyed popularity in the depressed 1930's. The assumptions of this thesis are wholly irrelevant to the economic conditions of the past two decades in which: (1) The U.S. economy has generally operated at high levels of employment; (2) the general price level has displayed a persistent tendency to move upward; (3) cyclical downturns have been moderate; and (4) the level of long-term interest rates has trended upward (despite cyclical fluctuations) carrying the average yield on long-term Government bonds, for example, from 2.19 percent in 1946 to 4.65 percent in 1966.

The Print's assertion that "there is little evidence that the availability of funds or the rate of interest are of much significance (in influencing investment spending) except on occasion in exerting restraint" is highly questionable. There is clear-cut evidence that in the period 1961-65 the ready availability of financing by institutions aggressively seeking to increase their loans and investments at declining interest rates was a highly important contributor to economic expansion. In fact, the Print's statement is contrary to all of the assumptions in the January, 1967, Economic Report of the President which counts heavily upon increased availability of funds and lower interest rates to stimulate a rising rate of residential construction.

In a discussion of the economics of pension fund saving, the Print goes on to state:

Now pension saving, in contrast to personal and corporate saving, is relatively unresponsive to changes in economic fortune. Pension saving, governed by rules for funding plans, increases rather steadily in good times and bad. It is, therefore, a good thing in good times and a bad thing in bad times. Corporate saving, especially, but also personal saving to a lesser degree are automatically stabilizing. To whatever extent corporate and personal saving are smaller because pension saving is greater, something in the tendency of the economy to stabilize itself through compensating changes in savings rates is lost.⁸

This again reflects the stagnation thesis. Economists who are seeking today to project the longer run future of the American economy are assuming that appropriate fiscal and monetary policies by Government will be combined with dynamic factors in the private economy—such as rapid technological change and a pronounced rise in the rate of family formations—to assure a strong rate of economic growth.⁹ Built into their models is a high rate of capital formation and a high rate of saving. If this is, indeed, the realistic prospect, the contractual nature of private pension saving has great advantages. Because of its contractual nature, pension saving is better able to resist

⁷ *Ibid.*, p. 18.

⁸ *Ibid.*, p. 18.

⁹ See, for example, the studies cited and discussed at length, beginning on p. 179, *infra*.