as well as in 2 preceding years, and their interest in savings ("saving mindedness") was also higher. The findings were obtained on a basis of a multivariate analysis in which such crucial factors as income level, age, and amount of financial reserves were held constant. The findings support the assumption, confirmed in a variety of studies of consumer behavior, that felt needs and wants are not static. Under the impact of favorable developments, levels of aspiration are stepped up. Concrete and attainable rewards stimulate behavior. On the other hand, the feeling of being very far from one's goal tends to accentuate the perceived difficulties and may stifle motivation.

JAMES SCHULZ: AGED RETIREMENT INCOME ADEQUACY—SIMULATION PROJECTIONS OF PENSION-EARNINGS RATIOS

A prior study by the Bureau of Labor Statistics of the earnings replacement potential of U.S. private pensions and the social insurance system was based upon hypothetical calculations using rather unrealistic assumptions. This paper reports the results of a stimulation study which attempts to project pension earnings ratios for a future retired population using more realistic assumptions. It also attempts to take into account some of the characteristics of prevailing pension systems which influence this ratio. The simulation projects pension earnings ratios for persons retiring in the United States between 1960 and 1980. The projections indicate that U.S. pension systems as they are presently developing are failing to generate for large numbers of aged persons retirement income sufficient to meet generally accepted international and national standards of pension earnings ratio adequacy.

What is an adequate P/E ratio at retirement? Much of the relevant theoretical discussion in economics has focused on individuals' time preferences (preference for current versus future consumption). The individual chooses the appropriate savings rate required to make available after the earning period the funds desired for retirement living. The individual is assumed to be rational, assumed to choose the appropriate P/E ratio in line with his preferences, and then assumed to save the necessary amounts. Survey data show however, that large proportions of the U.S. population in the past have either been unwilling and/or unable to provide for old age. Possible explanations for this are: (a) the difficulty of retirement planning given the vissitudes of the economy affecting income, employment, and prices; (b) a myopic outlook of many individuals regarding current versus future consumption needs; and/or (c) a failure by individuals to take into account in retirement planning longer years of retirement living due to declining mortality and early retirement.

Determination of a recommended target P/E ratio for the United States must take into account the following considerations:

(1) The wealth positions of aged units,

(2) Elimination in retirement of expenditures associated with employment,