

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.

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. 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.