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Suggestions for
Research
in the Economics
of Pensions

*Report of an Exploratory Survey of the Economic Aspects of
Organized Provision for the Aged and Surviving Dependents*

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.
1957

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PREFACE

When an institution takes on the size and potentialities of growth that organized provision for the aged and their dependents has assumed in this country in less than a generation, it becomes a significant object of scrutiny by students of the social scene. How well does it meet the need for which it was designed? What role does it play in other aspects of social and economic life? What does it "cost," directly and also indirectly? In what directions are its scope and services increasing? What may it be expected to "cost" in the future? The establishment of old age and survivors insurance (OASI) and related governmental provisions, and the rapid development of private pension systems, have placed these and other questions before all who are concerned with the structure and drift of our economy. Interest in them has been sharpened by strong differences of opinion concerning the relative roles of governmental action on the one hand and private action on the other, in the move toward greater security for the aged. A new and important problem area has been opened up: the economics of pensions.

A considerable amount of research has already been done on various economic aspects of pensions — by governmental bureaus, academic scholars, research institutes, and business organizations. We lack, however, the comprehensive knowledge which is needed, knowledge of the various types of organized provision for the aged and survivors viewed as a whole and analyzed with particular reference to their growth possibilities and economic effects. A major reason for this lack is clear: our present system of pensions and related institutions has grown like a mushroom and we have hardly been able to keep up with it. We need to take stock of where we are and where we are going. The present exploration is a step in this direction.

It should be emphasized that this is not a report that sets forth the economics or economic effects of pensions. The report is designed to pose what appear to be the major questions, not to answer them;

and to suggest what are the more fruitful areas for further research.

The report, it should be added, does not present suggestions for research on all the problems of the aged in our society. It is limited to studies of the economic aspects of pensions and closely related matters. Though broad enough, the field covered is narrower than the whole host of problems — demographic, medical, sociological and psychological, as well as economic — that revolve around the aged and their growing importance in our population.

Also, the objective was not a single, integrated agenda for research, the parts of which might be undertaken simultaneously or in some indicated order. As with other programs of research presented on occasion by the National Bureau,¹ the purpose was the modest one of drawing attention to the important problems on which research seems most likely to prove fruitful. Some of these problems could form the subjects of special studies, and a number of these are suggested. Other problems are best considered in a broader context. Pensions are but one of a number of factors involved in economic behavior, and it would not always be efficient in treating certain aspects of wide-ranging subjects like labor mobility, for example, to focus on the effects of pensions alone. Yet no one working on these broad subjects today may safely ignore the influence of pensions.

Finally, it is not presumed that the work proposed here will be undertaken by any single agency. As has already been the case, different organizations and individuals will find the economics of pensions an interesting subject to work on. It is the National Bureau's hope that the present report will stimulate active research in many quarters and that it will help to turn those efforts toward questions that will yield the most useful results.

It is a pleasant duty to acknowledge the help which the National Bureau has received in preparing this survey of research needs. We are appreciative of a generous grant from the Life Insurance Association of America which made the exploration possible; of the services of the Advisory Committee (listed on page v), all of whom gave freely of their time and experience in discussions from which this set of research suggestions developed; and of the cooperation of persons, private organizations, and government bureaus that have done and are now doing research in this field, who permitted us to examine their unpublished reports and memoranda and made comments on particular points in our preliminary draft. Special acknowl-

¹See *A Program of Financial Research* (1937); *Research in Securities Markets* (1946); *Research in the Capital and Securities Markets* (1954).

edgement should be made to those who bore the brunt of the work: Gordon Keith, who acted as Chairman of the Advisory Committee and critically reviewed several drafts of the report; Daniel Holland, who directed the exploration and prepared the report; Marvin K. Bloom and Gladys F. Webbink, both experienced in the field, who worked with Dr. Holland and participated in the discussions of the Advisory Committee; and Mary Phelps, who edited the manuscript.

SOLOMON FABRICANT
Director of Research

December 1956

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