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## INTRODUCTION

Within less than a generation, pensions have grown from a scattered sprinkling of plans that constituted an inconspicuous feature of the economic landscape to a structure of programs that bulks large by any calculation. Payments of over \$11 billion are being made annually to over 15 million beneficiaries (closer to 13 million if account is taken of those receiving payments under more than one program); reserve funds are being accumulated at a rate that may be put at well over \$6 billion per year. These are substantial magnitudes. Even more impressive, however, is the size the programs promise to reach in the future, for most of them are still in the stage of rapid growth.

We define pensions broadly to include the old-age retirement, survivorship, and disability features of the following programs: old age and survivors insurance; railroad retirement; public assistance; federal pensions and disability payments to veterans; retirement programs for federal, state and local government employees; and private pensions.<sup>1</sup> In 1940 this vast pension structure paid out less than \$1½ billion as compared with \$11½ billion in 1955. Pension benefits have grown more rapidly than income. In 1940 they represented about 1.7 per cent of personal income; by 1955 the percentage had risen to over 3.7.

Over this same period the number of people to whom (or on whose behalf) benefit payments were made grew over fourfold, from

<sup>1</sup>Our definition is broader, particularly in its inclusion of public assistance payments, than some used in other connections.

A hard and fast line cannot be drawn, either conceptually or statistically, between pensions and payments to meet other kinds of needs, since programs that provide pension benefits generally make disability and survivorship (dependents) payments, and others provide disability or old age payments closely akin to pensions. Precision in definition is not important for the kinds of questions raised in the body of our report. What we included under pensions in deriving the magnitudes in this introductory section is set out in the notes to Table 1.

In any particular investigation, of course, the selection of an appropriate definition would need careful consideration.

about 3.3 million to 15 million. Because some individuals receive payments under more than one program some duplication is involved in these figures. A rough correction on this score would lower the 1955 total to about 13 million. It appears that by 1955 more than one in every thirteen of our population was receiving benefit payments from at least one of the programs that make up the pension structure.

Not all these programs involve the accumulation of reserves, but for those that do — OASI, railroad retirement; federal, state, and local employee retirement, and private plans — a very sharp rise in reserve funds has occurred, from something around \$6 billion in 1940 to \$66.7 billion in 1955. During the one year 1955 the value of accumulated reserves increased by \$6.4 billion, and represented almost 30 per cent of personal saving in that year.<sup>2</sup>

The current scale of pension plan operations and their rapid rate of growth have engendered increasing interest in the effects they might have on such important economic variables as savings, investment, resource mobility and productivity, the level of income and employment, and the distribution of income among income classes and between workers and the retired population. In this connection, over and above the combined impact of the conglomerate of pension programs, there has been great interest also in the different kind of effects that may be exercised by private and governmental pension arrangements, with the latter further divided into plans that are designed to be self-supporting — such as OASI — and those financed from general revenues — old age payments under the public assistance program and veterans' benefits. Our exploratory survey is directed to an evaluation of what we now know and what more we need to (and presumably can) find out about the economic effects of the burgeoning structure of pension rights.

<sup>2</sup>Personal saving is as estimated by the Securities and Exchange Commission, adjusted for comparability with the personal saving item of the Department of Commerce National Income Accounts, and with the addition of government insurance and pension reserves (*Survey of Current Business*, July 1956, p. 14).