The result of such a requirement if it were to be placed into effect would be either to cause reduction of benefits to higher wage employees or increase the benefits to lower wage employees. The estimated cost impact would be quite substantial.

The institute has filed an extensive brief with the Internal Revenue Service with respect to the issues involved in this proposal and, in all fairness, the Internal Revenue Service and the Treasury Department have made it clear that the proposal contained in announcement 66–58 was one for comment rather than a frozen position. But whatever may be the status of Government thinking in this matter in the executive department, it is clear that some rather fundamental questions relating to the social security system and the private pension plan system in the United States are involved. Notably, the direction of the proposal in announcement 66–58 reflects a disposition on the part of the executive department to push Federal regulation against private pension plans and in favor of an enlarged Federal system of social security. It seems rather obvious that if by integration rules or by other means private pension plans become so costly to corporations and mandatory social security costs continue to spiral that the inevitable result will be curtailment or displacement of private pension plans.

These points are developed in some detail in the statement filed by the institute with the Internal Revenue Service referred to above. We enclose a copy of that statement either for inclusion in the record or study by the staff at the committee's discretion.

In any event, we urge that the Joint Economic Committee concern itself with these fundamental questions including the overriding issue as to whether the social security system can maintain its integrity if it continues to be the subject of periodic political sweetening over an extended period of years. It is perfectly clear to use that if the theory of integration between social security and pension plans is to prevail, this sweetening trend must be halted.

Having earlier discussed at some length the question of contracyclical manipulation, we are constrained to observe that it now appears that even the social security system and changes therein are being recruited for economic manipulative purposes. It is pointed out, for example, by administration spokesmen that it is proposed that the increase in benefits recommended by the President under the social security system will take place in midyear 1967 while the tax impact of the increased rates will be postponed until January 1968. This in turn is related to the fact that the 6-percent surcharge is designed to take effect midyear so that to some degree there will be a wash between the increase in income taxes and the increase in benefits for the balance of the calendar year. In the same context, one recalls the manner in which payments of veteran dividends under national service life insurance policies have been changed as to timing for purposes of business cycle considerations. Will the Government next begin dragging its feet in reference to certain payments under Government contract obligations for fiscal year budgetary considerations? Where is the end to this kind of legerdemain?

For what it is worth, our judgment is that no human system even with the aid of computers can possibly engage in this kind of manipulative game in a country which is dedicated in large part to the free market system without endangering the mechanism and above all