funding is to the financial disadvantage of both the employer and the Government.

(v) Based on the illustrations in appendix III, there is shown below the rate of pension fund investment earnings that will produce a matching of the value of taxes on the pay-as-you-go basis with that on an advance funding basis, assuming an average investment earnings period of 27½ years. Where the indicated relationship exists, advance funding is to the advantage of the employer but the Federal Government can afford to be indifferent—*k* is the rate of the net cost of money to the Government.

[In percent]

Employer's gross earnings rate	Pension fund rate of return		
	k=3 percent	k=2.67 percent	k=2.08 percent
5 percent	4.91	4.64	4.17
5½ percent	5.11	4.85	4.39
6 percent	5.31	5.06	4.61
7½ percent	5.94	5.70	5.28
10 percent	7.01	6.78	6.39
12½ percent	8.11	7.92	7.56
15 percent	9.+	9.+	8.76

(vi) In view of the realized or expected return on funds that are invested substantially in common stocks ranging up to 9 percent, it would appear that there are many plans where the Government will enjoy a decided advantage by reason of advance funding. Considering the entire range and character of private pension operations over the years to come, can anyone say, with any degree of confidence or factual support, that advance funding of pensions, with tax-free input, will be any more costly to the Government than the pay-as-you-go financing of the same benefits under such plans would have been, with tax-free output?

PRACTICAL AND LEGAL CONSIDERATIONS

So much for a theoretical mathematical analysis. But what are the realities?

As we frequently hear, did the Congress, in the 1942 legislation, overtly and purposefully enact "special tax privileges" to encourage the adoption and development of private retirement plans? In the work by Dr. Robbins, published by the Industrial Relations Counselors in 1949, referred to in Section II hereof, we find a thoughtful interpretation of the objectives of the 1942 legislation. This is significant, since it appeared only a few years after 1942 when little time had elapsed for mythmaking. Here is what Dr. Robbins wrote:

> PURPOSES OF MAKING EMPLOYER CONTRIBUTIONS TAX-FREE * * * Just why should not the employer contribution be taxable income to the employee immediately in all cases? One answer is * * * that it is not at the command of the employee; he can do nothing with it; he cannot use it to buy groceries or to pay taxes; he is not sure he will ever receive it; in fact, under most pension plans, no fixed amount is allocated to a particular employee; a sum set aside on behalf of all of a class of employees is to be of value to those in