

It has been argued that from a broad social point of view, the private pension system is the lowest cost method of providing economic security for the aged. In addition to the administrative efficiency of group savings arrangements, it is argued that the small increase in consumer prices that might be required to provide pension benefits is a relatively painless method of meeting the risk. In other words, the burden of retirement security is spread over a large number of people and over a long period of time. The economic principle of marginal utility would support the conclusion that the disutility of the small increase in prices for all consumers would be less than the burdens that would be borne by those individuals who would have inadequate retirement resources in the absence of pension benefits. Still another aspect to the argument is the assumption that private pensions increase consumption levels among the aged, which in turn helps to maintain a high level of economic activity.

Lastly, private pensions constitute a form of forced savings. This advantage is extremely important in view of the apparent desire of many people to maintain a relatively high standard of living during their active employment years. Although it can be argued that employees would, in the absence of private pension programs, make equivalent provision for old age through increased levels of individual savings, the evidence seems to point to the conclusion that a number of people would not do so. Thus, it might be economically more efficient if at least part of the risk is met through a forced saving private pension scheme.

SALES EFFORTS OF FUNDING AGENCIES

For all of the above-mentioned reasons, there has been a considerable demand over the years for private pensions. However, in many instances, the advantages of these programs had to be called to the attention of specific employers. This function of creating effective demand for the pension product has been aggressively performed by those parties interested in providing services in this area. Insurance companies, through agents, brokers, and salaried representatives, were undoubtedly instrumental in the growth of pensions, particularly in the decades of the twenties and thirties. The trust departments of banks are also equipped to handle pension funds, and many corporate trustees have been actively soliciting pension business, particularly since the early 1950's.

MOTIVATIONS FOR MULTIEMPLOYER PLANS

Although a pension plan might be established for one or more of the reasons indicated in the previous section of this paper, it is pertinent to the discussion to note the motivations for establishing the plan on a multiemployer basis rather than a single-employer arrangement. Furthermore, multiemployer plans constitute a significant force within the private pension movement, and the growing discussions of portable pensions suggest the need for separate treatment here of this form of private pensions.¹³

¹³ The following material on multiemployer plans is drawn from Joseph J. Melone, *Collectively Bargained Multi-Employer Pension Plans* (Homewood, Ill.: Richard D. Irwin, Inc., 1963), pp. 165-182.