

way of providing for a necessary expense in the operation of the business—an expense which, if there were no pension plan, would inevitably be borne by the business through the carrying of underproductive employees on the payroll with resultant adverse reaction upon efficiency and upon the correctness of the distribution of the cost of superannuation.”

This line of reasoning was not originated in the Bell System, nor is it by any means confined to Bell System companies. Although it appears in much of the pension literature, it is hardly mentioned, if at all, in the staff document under discussion. The compelling reality is succinctly stated in the final report of the Advisory Council on Social Security, December 10, 1938, page 21, as follows: “Only through the payment of reasonable benefits can older workers be retired.” Thus, the underlying reason for the business necessity of an adequate pension system is the social atmosphere and pressures which would inhibit or prevent retirements in the interests of business efficiency unless there were an “adequate” plan. It is significant that this atmosphere will differ as between industries and over the course of time. We, therefore, urge that the assessment of “adequacy” continue to be left to employers, or employers and unions, in the light of their circumstances.

The failure of most current discussion to give any real weight to these considerations explains, we think, the current rather wide differences in viewpoint on several aspects of the pension problem.

The business purpose of private pension plans, however, should be given, and in the past has been accorded, considerable weight in the determination of public policy toward pension plans. There are several ways in which this concept should affect conclusions on various specific problems.

PROMOTING BUSINESS EFFICIENCY IS A VALID PUBLIC POLICY

Private pension plans promote the efficiency of business. It is, therefore, good public policy to promote their inception, continuance, and improvement because business efficiency is a necessary ingredient in a healthy free economy. The form a plan should take should be left, except for certain minimum regulatory restrictions, to the judgment of individual employers, unions, or both.

The value of pension plans in enhancing efficiency extends to military and civilian, Federal, State, and municipal pension plans, and, of course, public policy also is concerned in a very direct way with governmental efficiency.

PROMOTION OF BUSINESS EFFICIENCY REQUIRES A SALARY-RELATED PENSION PROGRAM

If a pension plan is to serve the purpose of making possible the orderly retirement of employees whose usefulness to the business has declined, it must provide, for higher as well as lower paid employees, a scale of retirement income reasonably proportionate to their pre-retirement income. If arbitrary maximums on pensions are imposed, for example, the practical possibilities of retiring higher paid employees will be severely limited. And, inefficient management and tech-