

of integration and the integration formula worked out to be comparable with what ensues for pensions.

Of course, this issue would vanish if the enthusiasm I detect in the report prevailed for a public pension system (whether in two steps or one), which was so adequate in terms of benefits and low in administrative cost that private retirement plans would have no reason for being.

But, in my opinion, this would be a calamitous denouement of pension "reform." While under such a state of affairs, there could be undiminished interest in encouraging deferred profit-sharing plans for purposes other than that of providing retirement benefits by the use of the same effective tax treatment as now. I choose not to discuss this eventuality.

We should not look to government directly for much of our opportunity, and we should not look to government for such a fully adequate degree of old-age income assurance, whether work related or otherwise, as to make private pension plans unnecessary.

I might add that it is well for economic entrepreneurs to have considerable say in the formulation of public and private pension reform, because while advocates of an extreme welfare state will, in my opinion, tend to make light of private objectives, the enthusiasts for private freedom will move much more than correspondingly in the direction of tempering their freedom with the social interest in their approach to retirement planning.

It will be economically healthful when over half of the firms that are larger than mama-papa shops adopt profit sharing, as we predict will occur within 5 years. The type of governmental encouragement that has led one out of eight or so, so far, to act in this direction will have to be continued if this healthful growth is to continue to the point where half of all sizable firms have profit sharing. It is my opinion that in most cases a small firm with apparent good prospects as soon as it has passed a few years of age, ought to seriously consider a deferred profit-sharing program. Later it could add a private pension plan when it became confident that it had the stability to assume the long-term fixed financial commitment inherent therein. Actuaries generally, and unions generally, tend to feel that this order of plan adoption should be in the reverse—the pension first and later the profit sharing. If profit sharing is not adopted early, as ever-increasing employee benefit costs make for increased employment cost rigidity, the need for a teamwork incentive program like profit sharing will become increasingly more acute. Only through increasing productivity are higher and higher compensation costs bearable, and the best assurance of continuing the requisite productivity improvement lies in productivity motivation, which will be a prime objective of a larger and larger percentage of deferred profit-sharing plans if public policy encourages continued increase in the total number of plans.

On the other hand, if public policy discourages growth and encourages terminations of deferred profit-sharing plans, this productivity motivation which works on about 5 million employees in over 60,000 companies will diminish and economic activity would perceptibly decline. It is all a matter of not so much *who* as *what* the Government should encourage: A high productivity and percentage of ever-improving performance, or satisfaction with the status quo. Without