

ployees, and there is a strong trend toward increased coverage and more rapid funding and vesting.

2. Pension plans benefit the rank and file of employees. The bulk of such plans qualify under provisions of the Internal Revenue Code designed to insure that they do not discriminate as to coverage and benefits in favor of highly paid employees as compared with employees with modest incomes.

3. A private pension system, which continues to grow and continues to improve, is essential for achieving the best possible retirement protection for our population. Pension plans offer unique advantages for this purpose, in view of their flexibility and ability to adjust to the individual circumstances of particular groups of employees in different firms, industries, and geographical locations.

4. The social security program is a basic ingredient in our system of providing retirement protection. But it is essential to keep a proper balance between private pension plans and the social security system. The latter should not be expanded in wage base and benefit levels to the point where it takes over retirement functions which can be performed better by the private sphere. At the same time it is important to continue to improve private pension plan coverage, vesting, and funding so that pension plans which are now doing a good job can do an even better job. The objective is to develop new pension plans and to improve existing ones so that the maximum number of individuals can benefit from them.

5. The Joint Committee Print's concern that pension saving may have a depressing effect upon the rate of economic growth of the United States is unrealistic. It flies in the face of the experience of the past two decades. If the rate of saving has been excessive, as the Print suggests, how can we explain the persistent upward trend of long-term interest rates during the past 20 years? If effective demand for goods and services has been chronically weak, how can we explain the upward drift of the price level since World War II? The U.S. Government is committed to pursuing fiscal and monetary policies designed to maintain full employment and strong economic growth, with stability in the value of the dollar. Such policies will require a very high rate of saving and capital formation, as is assumed in all of the projections of the growth of the American economy in the years ahead. Viewed in this light, and not in the shadow of the "stagnation thesis," the Print's concern about private pension saving is without justification.

6. The Print's concern that pension saving, because of its contractual nature, tends to be a destabilizing force in the economy is also unfounded. The fact is that the contractual nature of pension saving is highly advantageous from the standpoint of economic stability. Inasmuch as the cash flow for investment of pension funds is regular and predictable, institutions administering pension funds have been able to make forward investment commitments which aid business and industrial firms to plan their capital expenditures on a long-run basis. In an economy in which business and industry expects appropriate fiscal and monetary policies, longrun planning of capital expenditures has become realistic and has been encouraged and facilitated by the contractual nature of pension funds and the forward investment commitment process.