giving tax inducement to established plans. In revising the Internal Revenue Code in 1942, Congress gave industry a significant inducement to set up private pension plans for economic, business, and social purposes. Without social security and private pension plans to help retirees maintain an adequate standard of living (based on their preretirement standards), many retirees would have become charity cases. If private plans are not permitted to expand, there is one obvious outcome: the necessity of increased Government intervention to supply pensions to the public through social security, public assistance, or other tax-supported schemes. And this leads to the question of how much more this will cost in increased taxation, compared with the supposed loss of $1 billion from the tax treatment of private plans.

We hesitate to enter into the field of economics with its various theories and jargon. Undoubtedly, the concept of "laissez-faire" is largely dead, having received a mortal blow since 1932. Keynesian economics of a government-planned economy have been with us since that time. And the new economics of the Kennedy era continues the massive Government involvement in fiscal policy. If tax inequities do exist in pension-related areas, they are just one small part of our entire tax structure problem. Perhaps this point is best summed up by Louis Rolnick, director, welfare and health benefits, International Ladies Garment Workers. "It is undeniable that this tax treatment constitutes an indirect public subsidy to the plans. I find this, however, to be the least persuasive of the considerations cited as justifying additional regulations. The President's Cabinet Committee Report relies heavily for its recommendations on vesting on the theory that equity requires identification of employer payments as a kind of deferred wage. If we adopt this premise, it follows that such payments are normal production costs and should not be taxable in any event. Estimates of annual revenue losses range from $1.2 billion to $3.4 billion. I am sure that these figures stack up favorably against a whole host of tax-involved public subsidies for institutional schemes which are far less easily identified as being in the public interest."

While public officials are arguing about the appropriate period of vesting, industry is itself solving the problem of vesting through plan design, competitive pressures, and collective bargaining. Trends indicate that vesting is becoming much more liberal in many plans as automation and labor mobility increase in our society. We also believe that this right to determine vesting should remain within the private domain. Vesting, after all, requires money—and the employer and employee should determine how this money should be spent.

The concept of minimum or no funding and reinsurance requires some analysis. One of the most comprehensive evaluations of the reinsurance concept was given by P. C. Basset when he appeared before the Senate Committee on Finance in Washington, D.C., August 15, 1966. "Such a program, I believe, may encourage minimum funding by employers, since the security of pensions will no longer be a compelling reason for funding. It may be cheaper to pay the premium than to fund adequately the pension plan, thus stimulating the wrong kind of pension planning. If a reinsurance program were undertaken, I believe the Government would quickly find itself in the business of establishing a wide variety of investment standards, payment standards, funding standards, and other criteria for pension