

of short-term participants moving to individual company plans. However, insurance companies could participate on a deposit administration basis, with a guaranteed rate of earnings which would balance investments with corporate trustees without such an insurance. In this fashion, the traditional private institutions would handle the investment of the funds on a contract basis and some annuities might be purchased only when the participant retired, although some might prefer drawing benefits directly from the fund on a variable annuity basis.

The clearinghouse could assume all the responsibility except fund management. The Federal clearinghouse would entrust its funds to a Pension Finance Corporation which would receive fees for managing funds. The PFC would have authority to invest in Federal securities and guaranteed investments, State and local obligations, and private obligations and securities. Such an arrangement would combine many of the advantages of Government administration and private investment. The arrangement would overcome the objection that a potentially multibillion dollar fund managed by Government officials would give too much financial and political power to the Federal Government.

PEARL A. CHARLET:* PUBLIC POLICY AND PRIVATE RETIREMENT PROGRAMS—A SUGGESTION FOR CHANGE

Much of the current debate about such aspects of the private pension approach as funding, vesting, portability, etc., is in truth directed to an unspoken questioning of the need for a pluralistic system of retirement income, when both private and public systems appear to be directed toward the same goal. Such debate hides the real need for deliberation about the fundamentals of the present two-part system for old-age support.

The primary objectives of the two systems are necessarily different. The social security program is concerned with the social need of assuring a basic subsistence level of income for all older citizens. The fact that old age and survivors insurance is related to work earnings may actually be more of an "accident" resulting from the need to create acceptance of the program as an insurance system (rather than a need-related welfare program) than a deliberate design by the architects of the system. Certainly, the ultimate benefits received from the system by individuals bear little relationship to their payments into the system, since they are related to the individual's needs as society defines them. The private pension system is primarily a device for transferring earnings during the working years into income for support in old age. The private pension plan deals only with replacement of work-related income—it is precluded by its basic nature from concerning itself with the income problems of the non-working segment of the population.

Much of the criticism that has been directed at both public and private systems for old age support results from the confusion that

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