are consistent with the above goal. However, one must weigh these adverse features against any net yield advantage, if these constraints are unique to the personal pension deduction.

Our illustrative taxpayer may have an opportunity to invest in real estate with an expected effective net yield of 6.50 percent under capital gains, instead of the 5.30 percent effective yield from corporate bonds under the personal pension deduction. The capital gains option presently is available to the taxpayer; if he chooses this route, the personal pension deduction will not have increased the rate of personal savings.

In addition to restraints on forms of investment, personal pension deductions generally severely limit or outright prohibit the withdrawal of funds before some specified retirement age. Consequently, one may postulate that participation in such a program—ceteris paribus—is directly related to the age of the taxpayer; that is, inversely related to the number of illiquidity years between contribution and retirement age. An analysis of Canadian participation does not reject this hypothesis. Furthermore, preliminary analysis of Canadian participation data indicates that individuals covered by company contributory pensions will reduce personal pension contributions accordingly and to some degree the two programs are substitutes.

The introduction of new income tax inducements, then, may not significantly increase the rate of personal retirement saving. Certainly this is the experience of the personal pension deduction instituted on a limited basis in the United States and as a universal taxpayer deduction in Canada. An appreciation of the true relative net yield advantages to participation, coupled with investment and liquidity constraints, may explain the small taxpayer response. Individuals generally have existing alternatives that discount the superficial attractiveness of the personal pension deduction.

RAY M. PETERSON: OLD-AGE INCOME ASSURANCE BY LIFETIME INCOME SPREADING WITH DEFERRED TAXATION AS THE NATURAL TREATMENT

We need to recognize the importance of the application of the income-spreading principle on a lifetime basis with particular reference to provisions for old-age income assurance. This principal may be expressed simply and briefly as tax-free input and taxable output. Contributions and investment return thereon which are irrevocably devoted to the provision of retirement life income are free of income tax when made or earned but the entire retirement income is included in taxable income when received. The payout principle is sound for two fundamental reasons: (1) the encouragement of savings accumulations for retirement purposes constitutes a strong force working to provide additional capital from which, in turn, may be gained the increase in productivity needed in a nation's economy to provide the desired retirement benefits: (2) it is fair and reasonable that an individual's income should be spread and acknowledged as realized