for society as a whole because it may tend to encourage an inefficient allocation of resources.

A retirement conditional pension promise is a very blunt instrument for management's use in screening out inefficient employees. So long as the retirement is optional, not mandatory, the initiative rests with the employee. Early retirement is likely to have a greater economic appeal to those employees who are still highly productive and who have good outside employment alternatives—those management would most like to retain.

Before offering an early retirement option, employers should carefully assess not only the dollar costs of the plan but also the pattern of economic incentives it will establish for individual employees. Unless youth and vigor is a requirement of the organization, there would seem to be little merit in an early retirement option. Even when a requirement for youth does exist, an early retirement program can imperfectly serve the organization and society.

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Bette S. Mahoney, Alan E. Fechter: THE ECONOMICS OF MILITARY RETIREMENT

This paper examines some economic implications of the military retirement program, which is noncontributory and, in general, vested only after military personnel have completed 20 years of active military service. The absence of vesting before 20 years was expected to inhibit mobility of military personnel prior to 20 years and the retirement income received by retirees was expected to reduce their labor force participation after they had retired.

Examination of loss rates of active duty military personnel by years of service completed revealed that losses peak at the end of the first tour of duty and gradually decline until 20 years of service are reached at which time they peak again. Both the decline and loss rates after the initial peak at the end of the first term and the 20-year peak are consistent with the hypothesis that the military retirement system inhibits mobility. However, it was not possible to attribute the declining loss rate solely to the military retirement program. Mobility tends to diminish with age and experience independent of the effects of this program. The peak in loss rates at the 20-year point undoubtedly reflects the military retirement program and may be attributed to both the vesting of the pension and the wider range of civilian employment opportunities open to younger retirees.

Differences in labor force behavior among military retirees and between retirees and comparable other civilians, classified by age and level of school completed, were consistent with theoretical expectations. Retirees with low weekly wages and high family incomes other than wages of retirees tended to have low labor force participation rates. In addition, retirees generally had lower participation rates than comparable other civilians. This difference may be attributed in part to the military retirement income which is received by military retirees and is not available to other civilians and in part to differences in other