

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, long-run 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.

7. The Print's assertion that institutions administering pension funds do not contribute to vigorous economic growth through their investments is entirely at odds with the facts. Generally speaking, private pension savings have been directed into highly productive outlets. The examples which we have presented are typical of the way pension funds are invested—with imagination and with high potential for economic growth. At the same time, these investments have been made with safety, as the record of virtually no investment losses in the past two decades attests.

8. In the decade ahead—indeed for the foreseeable future—there will be an urgent need for a high rate of saving if we are to achieve our national goals of full employment and faster economic growth with reasonable stability of the value of the dollar. To achieve the rate of saving necessary for growth, we must have a healthy expansion of private pension saving. As Kuznets and others have pointed out so well, there have been powerful forces operating in the past to lower the rate of saving, and these forces will persist. It is even more necessary, therefore, to encourage the growth of contractual savings such as those accumulated through private pension funds.

9. Finally, other countries in the free world—notably in Europe—are so convinced that contractual savings are essential to economic