CHAPTER V

PROVISION FOR OLD AGE

THE last of the evils that I propose to discuss in these lectures is impecunious old age. Happily, old-age poverty is less conspicuous in the United States than it has become in European countries, but it is already sufficiently common to present a problem.[1] Numerous as are the old men's homes, old ladies' homes, and homes for aged couples that are supported by private charity, they are yet, as every worker among the poor knows, too few to meet the demand. Our almshouses are also practically homes for the aged poor. Some almshouse

[1] We have no trustworthy information in regard to the amount of old-age poverty, as distinguished from pauperism, in the United States. Statistics of pauperism clearly indicate, however, our more favorable situation. Thus, according to the Massachusetts Commission on Old-age Pensions, Annuities, and Insurance, there were in that state in 1908 8.5 paupers for every 1000 of the population as compared with 24.2 per thousand in the United Kingdom, and 31.7 paupers over 65 years of age for every 1000 of the population in that age class as compared with 173 per thousand in the United Kingdom.

inmates became paupers before they were aged, but many of them led independent and self-respecting lives, and even put by something for the future while physically able to earn wages. When wages ceased, savings, if any were made, were used up or else lost in unwise investments, and at the end almshouse relief and the pauper's grave were preferred to exposure and starvation.

Whatever preconceptions we may have in regard to the duty of thrift and the importance of making every one suffer the consequences of his own lack of forethought, we must all agree that the lot of the aged pauper is a hard one. Other countries are trying to ameliorate this lot by substituting for pauper relief compulsory or assisted insurance or old age pensions of various kinds. Their need is greater than ours, but this makes it more important that we study the problem and decide as to the merits and demerits of different plans for providing for old age, before an aroused public opinion, brought to bear on our state legislatures or on Congress, forces unwise legislation.

Old-age poverty is, of course, not a new problem. There is every evidence, however, that it is a problem of growing seriousness. In the country household there is a place for the aged parent or grandparent. The family has a settled abode, and economic interest reënforces filial regard in securing to old people proper care and consideration. So long as any strength remains, there is useful work about the house or farm which they may do. Moreover, the cost of maintaining an aged relative in the country is so small as to seem an insignificant burden. In the crowded tenement houses of modern cities the situation is very different. Here, as industry is now organized, there is little for an aged person to do. The positions for which men or women over sixty-five years of age are suited are few, and there is always an excess of old men and women looking for such positions. Furthermore, the cost of maintaining an aged relative in the city is an appreciable item in a wage earner's budget, and even when the burden is cheerfully borne, it means so much less for other necessary family expenditures.

As changing economic conditions are rendering the dependence of old people on their descendants for support increasingly precarious, so, on the other hand, new obstacles are arising to providing for old age through voluntary saving. I have already spoken of the tendency of expanding wants and of city conditions of property ownership to discourage saving on the part of wage earners. The call of the savings bank and of the insurance company is weak in comparison with the old-time call of free land and a home of one's own. As the typical American is changing from the farmer to the factory employee, the likelihood that old-age poverty will be provided against by voluntary saving is decreasing. We have not yet seen the normal consequences of this development in the United States, because we are still in a transition stage. European experience, however, should leave us in no doubt that a great increase in old-age poverty lies before us, unless we are prompt in taking measures against it.

The proper method of safeguarding old age is clearly through some plan of insurance. Old age is a risk to which all are liable, but which many never live to experience. Thus, according to American life tables, nearly two thirds of those who survive the age of ten die before the age of seventy. Under these circumstances, for every wage earner to attempt to save enough by himself to provide for his old age is needlessly costly. The intelligent course is for him to combine with other wage earners to accumulate a common fund out of which old-age annuities may be paid to those who live long enough to need them.

There is little evidence that wage earners have thus far made much use of such machinery as is available for procuring old-age annuities. This is partly because of a lack of prudence and forethought on their part, but partly, also, because until quite recently the machinery itself has been unsatisfactory. Trade-union and fraternal insurance have done something to meet this need, but neither is on a very secure basis from the actuarial standpoint, and the number of individuals benefited has been small.

Much more significant in its promise for the future is the introduction of old-age pension plans by some of the railroad and industrial corporations. The pioneer in this field was the Baltimore and Ohio Railroad, which inaugurated its pension policy in 1884. Its example has already been followed by twenty-four other railroads, including such important systems as the Chicago and Northwestern, the Delaware, Lackawanna, and Western, the Illinois Central, the Pennsylvania, the Philadelphia and Reading, the Southern and Union Pacific, and the New York Central. Needless to say, these pension systems, though they require, often, no contribution whatever from the employees who benefit from them, have not been introduced on grounds of philanthropy. They are frankly intended for the good of the service. As Mr. Burton Hendrick puts the matter in an article on "The Superannuated Man":[1] "The most effective way of securing the right kind of force is obviously to adopt a broad general policy that will attract the most ambitious men, and secure from them the most efficient work of their productive years. The laws of gravitation affect wage earners as well as other objects in nature; the best inevitably gravitate toward the most satisfactory terms of employment. The corporation that can insure its employees a reasonable permanency of employment, promotion in order of precedence and fitness, and a satisfactory provision for old age, will inevitably attract the highest grade of men and obtain from them the most efficient work."

From the point of view of the railroad companies which have been so enlightened as to introduce them, these pension systems are admirable. A study of their detailed provisions leaves one a little less certain that they are entirely satisfactory

[1] *McClure's Magazine*, December, 1908.

from the point of view of the men. Their primary object is to insure continuity of service. Thus, all of them limit their benefits to employees who have been in the service of the corporation for a considerable period of years, ten, fifteen, twenty, twenty-five, and in one case thirty years being prescribed. Again, all of them base the amount of pension on the period of service, a usual plan being to pay one per cent of the average wages during the last ten years for each year of service. Their whole tendency is thus to tie the employee to the single corporation for life. As regards railroad corporations, continuity of service is so important to the safety of the traveling public, and the relations between employer and employee are on the whole so satisfactory, that this is perhaps not a serious objection.

The same system, however, is being widely adopted by industrial corporations. Already twenty or more such corporations, including the American Steel and Wire Company, the International Harvester Company, the Standard Oil Company, the Metropolitan Street Railway Company, and the Western Electric Company, have such plans in operation, and many more are contemplating their introduction. In the opinion of employees in competitive industries, any plan which ties a man to his job by discouraging him from changing from one employer to another, when by so doing he may better his condition, is undesirable. All economists recognize that the mobility of labor is an important factor in securing for wage earners higher earnings and better conditions. These pension plans are intended to and do oppose the free mobility of labor. No fault is to be found with the employer for desiring to insure the stability of his labor force. On the other hand, we must recognize that these plans which make enjoyment of an old-age annuity contingent on devotion to a single employer over a long period of years may seriously hamper wage earners in their efforts to improve their lot.

I mention this drawback not because it seems to me an insurmountable obstacle in the way of solving, or largely solving, the problem of provision for old age through corporate initiative, but because I think it ought to receive more sympathetic consideration than corporate managers have yet accorded to it. These corporation systems in their present form may be compared with the old-age pension systems that were maintained by some of our universities before Mr. Carnegie came forward to provide old-age pensions for college professors through the Carnegie Foundation. Under the old plan, a professor at Columbia, for example, was entitled to a pension after a certain number of years' service, *if he remained at Columbia until he attained the age of sixty-five.* This was a good system for Columbia, but it cannot be denied that it had a tendency to keep men in New York when it might have been better for them and better for the country if they had felt freer to go to other universities to which they were called. By Mr. Carnegie's benefaction a national system of pensions for college professors was substituted for the local systems that were previously established. The Columbia professor to-day is no better off, if he prefers to remain at Columbia, than he was before the Carnegie Foundation was established. He is freer, however, to consider on its merits any invitation to take his Columbia training and his Columbia experience to another institution which may require his services. By his benefaction, Mr. Carnegie increased the mobility of the teaching staff of our American colleges, and I believe the country is the better for the change.

It would be entirely possible for the great corporations that have taken the initiative in supplying old-age annuities for their employees to substitute for their establishment plans some system by which the employee who could better himself by changing to another employer might do so without forfeiting his right to the annuity. To explain how this might be done, I must first describe two other important recent developments in the field of old-age insurance in the United States, the Massachusetts Savings Bank Insurance plan, and the offer of new types of old-age annuity policies by the commercial insurance companies.

The Massachusetts Savings Bank Insurance system was introduced three years ago, for the purpose of bringing cheap life and old-age insurance within the reach of all wage earners who patronize the savings banks. No paid agents or collectors are employed by the banks, and consequently the cost of administering the system is kept at a minimum. It is expected that business will come to the banks not only from wage earners who wish policies for themselves, but from trade unions, mutual benefit associations, and employers who wish policies for their members or employees. The banks insure not only individuals but groups of individuals, and their initial rates, which are themselves low, are made even more attractive by the payment of substantial dividends. Thus, the dividend last year, the first year during which the system was in full operation, was $8\frac{1}{3}$ per cent to all policy holders. The system has not yet been in operation long enough to justify confident assertions in regard to its success. Its promoters claim that it has already forced the commercial companies materially to reduce their rates, and that still further reductions are probable. On the other hand, the commercial companies assert that they were about to reduce their rates any way, and that, if they were given the same privileges as the savings banks in regard to the issue of group policies, they could offer better service at lower terms than their new competitors.

That an important change in the policy of the industrial insurance companies was made, at about the same time that Massachusetts introduced her interesting experiment, is generally admitted. The premium rates on workmen's insurance policies have been materially reduced, and numerous new forms of policies designed to meet more exactly the real requirements of wage earners have been put out. Thus, the Metropolitan Insurance Company has recently offered a combined life and old-age annuity policy at rates that bring it within the reach of all wage earners, except the very poorest, who have the forethought to provide against these contingencies. The Metropolitan Company has also sought to have the insurance laws of the various states amended to enable it to offer group policies. Such amendments have been made in Maine, New Jersey, and Minnesota, and though bills having this end in view were defeated in Massachusetts, and, through the governor's veto, in New York, it seems probable that such a desirable change will soon be made in the insurance laws of all of the states.

The plan by which well-disposed employers might free their offer of old-age annuities to their employees of the objection that such old-age annuities tie them to their jobs, is, briefly, as follows: Taking advantage of the low rates for insuring groups of men, employers might secure old-age annuity policies for their employees as they are added to their force. The premiums on these policies might be paid wholly by the employer, as an addition to wages designed to attract a higher type of workmen; wholly by the employee, as a deduction from his wages voluntarily agreed to at the time he enters the employment; or, partly by the employer and partly by the employee. In any event, the employee should be given a property right in the policy taken out for his benefit. If he decided at any time to change to another employer, the policy should be freely surrendered to him, or its cash value paid over to him. On entering the employment of a new employer who had a similar system, he should be required to deposit his policy with the employer, and the premiums on it would be paid by the new employer, in accordance with whatever plan he was pursuing with reference to his other employees.

Along these lines it would be possible, if broad-minded employers would take the initiative and look at the problem from the point of view of the deep social interests at stake, for the United States to go far toward securing the benefits of the compulsory old-age insurance system of Germany, or the old-age pension system of the United Kingdom, while avoiding the serious disadvantages of both plans. It is perhaps visionary to expect that American employers will do this, but there is good ground for maintaining that, unless they will carry out some such plan, old-age pensions paid by corporations to the employees who have been long and faithful in their service will fail to solve the serious social problem presented by old-age poverty.

Another important development in the line of provision for old age is the growing agitation for old-age annuities for civil service employees. Aside from humanitarian considerations, there can be no question that the efficiency of the public service requires some arrangement for the enforced retirement of civil service employees at a stated age. The United States is the only important country which has not introduced retiring allowances for public employees. The authorities at Washington are so impressed with the importance of the question that President Taft, the Secretary of the Treasury, and the Secretary of the Interior have united in urging Congress to pass a civil service old-age pension law during the present session. The same considerations that apply to old-age pensions for federal employees apply to state, county, and municipal employees. It is a significant indication of the trend of the times that the Report of the Commission on Old-age Pensions, Annuities, and Insurance, which has just been submitted to the Massachusetts legislature, while highly conservative in most of its recommendations, comes out strongly in favor of retiring allowances for public employees. In this connection it says: "The fundamental consideration is one of economy and efficiency. The retirement system will stop the waste and demoralization now involved by the continuance of worn-out workers in the public service." To supplement this recommendation, it has introduced bills into the legislature providing retiring allowances for state, county, city, and town employees based on the contributory principle.

So much for the situation as regards provision for old age in the United States. Other countries, as already stated, have gone much further in developing policies to cope with this problem than we have.[1] In this, as in so many fields, Germany was the pioneer. Following the successful establishment of compulsory illness and compulsory accident insurance through the acts passed in 1883 and 1884, the imperial government introduced compulsory old-age and invalidity insurance in 1889. Under this system, employers in Germany are required to insure their employees sixteen years of age and over, by paying the prescribed premiums to the local insurance offices.[2] One half of these

[1] Admirable brief descriptions of foreign systems of caring for old age are given in the Preliminary Report of the [Massachusetts] Commission on Old-age Pensions, etc., submitted to the legislature in January, 1909.

[2] The method of payment is through the purchase of insurance stamps which the employer is required to affix each

premiums is deducted from the wages of the employee; the other half is contributed by the employer. The government itself contributes 50 marks ($12.50) per annum to each annuitant, and also bears most of the expense of administering the system. The annuities are paid to any insured person who is completely disabled from earning wages, or who has attained his seventieth year, whether incapacitated from earning wages or not. The amount of annuity depends on the wage class to which the insured belongs, but is, in any event, quite small according to American standards, the highest pension being only 230 marks ($57.50) a year.[1]

There can be no question but that Germany's system has succeeded in ameliorating old-age poverty in that country. The opposition to it, which was at first bitter on the part of employers, has disappeared, and it is now looked upon as reasonable and desirable social legislation. Nevertheless, this feature of Germany's compulsory insurance system has not been imitated by other countries. Among the objections urged against it are: —

week to the insurance cards carried by his workmen. The pensions themselves are paid through the post offices.

[1] Though the average pension paid in 1906 was only $39.52, the system called for a total expenditure in that year of $32,845,000.

which it is not easy to justify. Old age is not the result of employment, but entirely distinct and independent of it. If a comprehensive plan for providing maintenance for the aged is to be adopted, why should employers be singled out to make a special contribution to it? On what ground can it be maintained that they are any more responsible for the solution of this social problem than any other class in the community? In Germany, employers submit to it because, between the landed aristocracy on the one hand and the social democrats on the other, they are politically weak. It would be difficult to make them submit to it in a country where their political influence was greater.

(2) The administration of the system requiring, as it does, so many small contributions collected over such a long period of years is both cumbrous and costly.[1] Unless it can be clearly shown that this method of providing old-age annuities fosters thrift on the part of those who benefit from it, as the method of old-age pensions paid directly from

[1] The weekly premiums now required range from 14 pfennigs (3½ cents) for the lowest grade of wage earners to 36 pfennigs (9 cents) for the highest. As the insurance begins at 16 and continues to 70, it would be necessary, in the normal case, to affix the stamps 2808 times.

the public treasury fails to do, the greater costliness of administering it is a serious objection.

(3) It is questioned whether compulsory insurance does tend to foster thrift. Compulsory thrift is almost a contradiction in terms. It is not through being compelled to save that people develop the habit of looking forward and the spirit of enterprise which will lead them voluntarily to make provision for future needs. This is a psychological question, and those who have studied the reaction of Germany's system on the habits of Germany's wage earners hold diverse views in regard to it. There certainly appears to be some evidence that now that the discussion of the system has largely ceased, wage earners think of their wages as what is left after employers have made the deductions which the law requires, and look upon those deductions as taxes to which they are subject, without giving much thought to the fact that the proceeds may ultimately be expended for their benefit.

The same general social conditions which led Germany to introduce compulsory old-age insurance, led Denmark, two years later (1891), to introduce her system of old-age pensions. This was part of a comprehensive reform of the Poor Law, which was designed to deal even more rigorously with what we may call the "undeserving" poor, and at the same time to treat more generously and considerately the victims of misfortune. To be entitled to a pension under the Danish law, the applicant must satisfy the following conditions: —

(1) He must not have been convicted of a crime or of a dishonorable transaction.

(2) His income from other sources must be insufficient to provide the necessaries of life, or proper treatment in case of sickness for himself or those dependent upon him.

(3) His poverty must not be a consequence of any action by which he has deprived himself of the means of subsistence for the benefit of his children or others.

(4) During the ten years preceding his application he must have had a fixed residence in the country, and not have applied for pauper relief or have been found guilty of vagrancy or begging.

(5) Finally, according to a proviso added in 1902, he must not have led a life such as to cause scandal nor have been convicted of drunkenness or immorality.

Any person who has completed his sixtieth year, and satisfies these requirements, may apply for an old-age pension to be paid entirely out of the public treasury. The amount of the pension depends upon the cost of living in the locality, and is determined by local officials. That it is not excessive may be inferred from the fact that in 1904 the maximum pension paid was only $84 a year (in Copenhagen), and the average was less than $40. For pensioners who have no relatives or friends with whom they may lodge, old-age homes are provided of which Miss Sellers draws quite an idyllic picture in her interesting account of the *Danish Poor Relief System*. They are managed more as small inns or boarding houses than as charitable institutions, and the residents are treated as voluntary guests rather than as inmates.

Students of the Danish system say that that country, by making a sharp distinction between paupers and pensioners, has succeeded in providing for the victims of misfortune in their old age without discouraging thrift and prudence on the part of the wage-earning classes. The very fact that to secure an old-age pension the applicant must not have been in receipt of public relief or been convicted of begging or vagrancy during the preceding ten years necessitates a self-supporting existence up to the time when wage-earning capacity begins to wane.

Germany's and Denmark's systems were introduced by conservative leaders who were alarmed by the progress of radical thought as typified in the social democratic party. From this point of view, the adoption of old-age pensions by New Zealand and the states of Australia, which came next in chronological order, is highly suggestive. New Zealand's system, which was introduced in 1898, was the policy of the labor party itself. This system was copied within the next few years by New South Wales and Victoria, and in 1908 introduced for the whole Commonwealth of Australia through a federal law which has just come into operation.

The spirit of this legislation is indicated by the preambles to the statutes introducing it. The laws of New Zealand and New South Wales declare that "it is equitable that deserving persons who, during the term of life, have helped to bear the public burden of the Commonwealth by the payment of taxes, and by opening up its resources by their labor and skill, should receive from the colony pensions in their old age." The law of Victoria goes even further, asserting that "it is the duty of the state to make provision for its aged and helpless poor." As the main features of these systems are reproduced in the recently adopted system of Australia, a brief description of the latter will suffice. In order to secure a pension in Australia, the applicant must have attained the age of sixty-five, must have resided in the country for twenty-five years continuously prior to the date of application, must be of good character (that is, have led a temperate and reputable life during the five years immediately preceding the date of application), must not have deserted husband, wife, or children, and must be in need of the assistance, the test being the amount of income from other sources (not more than £52) or the amount of property owned (not more than £310). The persons satisfying these requirements are entitled to pensions of not more than £26 ($130) a year. If the income from other sources amounts to more than £26, the pension is reduced correspondingly, the total income being kept down to £52 a year ($260).

It is too early to judge of the effect of this federal old-age pension policy in Australia. The New Zealand system, however, has now been in operation for more than ten years, and some notion of its tendencies may be formed. The total number of pensioners in 1908, out of a population of about one million, was 13,569. The expenditure for pensions in that year was $1,626,000, or approximately $1.70 per capita of the population.[1] Since the system was introduced, the number of pensionaires has increased year by year, but not with alarming rapidity. The amount paid in pensions has trebled during the ten years from 1899 to 1908, but this fact was due in large measure to changes in the law which increased the maximum pension from £18 to £26. As an offset to this expenditure, the pension policy has reduced the amount expended on outdoor relief; there has been, on the other hand, an increase in the amount spent in indoor relief, but that is explained chiefly by more liberal provision for indoor paupers.

The pension system that has attracted most attention, and that for obvious reasons is most interesting to us in the United States, is that introduced into the United Kingdom by the act passed

For many in U.S.

[1] If a similar policy were adopted by the United States, and the per capita expense entailed was the same as in New Zealand, — the cost of living there being as high as the cost here, — the resulting addition to national expenditures would be somewhat less than the present cost of our military pensions ($161,710,367 for year ending June 30, 1909). This is a very large item, but as our military pensions are assuming more and more every year the character of old-age pensions, and should from now on decrease, it cannot be said to be larger than the country could bear, if the policy were deemed wise.

August 1, 1908, and which came into operation January 1 of last year. This act follows the laws of Denmark, New Zealand, and Australia in limiting rigidly the persons who are entitled to this form of public assistance. To receive a pension in the United Kingdom, a person must have attained the age of seventy, must have been a resident in the country during the twenty years preceding the application for the pension, must satisfy the pension authorities that his yearly income from other sources does not exceed £31 10*s.* ($157.50), that he has not failed to work according to his ability, opportunity, and need, for the maintenance of himself and family, and that he has not within ten years been convicted of any offense for which the punishment is imprisonment without the option of a fine. The amount of the pension for persons whose income from other sources does not exceed £21 ($105), is 5*s.* or $1.25 a week. From this maximum the pension declines with the amount of the income from other sources. Persons whose outside income exceeds £31 10*s.* a year may not claim a pension. Under this law, some 667,000 persons qualified for pensions during the first year, and the resulting expenditure amounted in round figures to $40,000,000. These 667,000 persons constitute somewhat more than one half of the population of the United Kingdom seventy years of age and over.

As is well known, the United Kingdom did not adopt an old-age pension policy without having devoted many years to the consideration of the subject. As long ago as 1878, Canon Blackley proposed a contributory old-age pension policy. From that year until the enactment of the old-age pension law thirty years later, a great variety of pension plans were proposed and considered by royal commissions, parliamentary committees, and successive cabinets. On the eve of the Boer War the Conservative Ministry of the day was on the point of introducing an old-age pension bill into Parliament. The state of the public treasury during and immediately after that war made the adoption of any pension policy impossible. How favorably English public opinion is disposed to this method of caring for the aged poor is attested by the fact that when the Liberal government came into power three years ago this was one of the policies which it put into effect. Its attitude was no doubt influenced by the growing strength of the Labor party, but there is every indication that even had the Labor party failed to return fifty-two members to the last Parliament, some sort of old-age pension system would have been adopted.

Though it is too early to form a confident opinion as to the effect of the new policy on the habits of wage earners, there is certainly little ground for some of the arguments often heard in this country against this and similar old-age pension systems.

Few people appear to have given adequate thought to the circumstances which narrowly limit the problem of providing pensions for the aged poor. The payment of such pensions clearly
1 has no tendency to increase the number of persons who pass the age of seventy. Old-age poverty is too remote from the calculations of youths and maidens to have any effect on marriage or birth rates. At most, assuring to old people bare maintenance after they pass a certain age can affect their number only by extending somewhat the length of life. No one can be so inhumane as to urge this as an objection to the policy.

But provision of old-age pensions may tend to increase the number of aged poor, that is, may
2 discourage thrift on the part of the wage-earning masses. This thought leads many intelligent people, who appreciate the desirability of collective

provision for old age, to favor the system of compulsory insurance, while opposing strenuously gratuitous old-age pensions. In my opinion, the idea that *compulsory* insurance against such a remote contingency as old age fosters thrift is illusory. As already suggested, providence and forethought are not developed through compulsion; are, in fact, almost inconsistent with compulsion. On the other hand, old age is only one and not a very important one, of the contingencies that put a high premium, as society is now organized, on a saving disposition. It is desirable to save and acquire property to get on in the world, to give children a better start than their parents enjoyed, to be assured more than bare necessaries as old age comes on, etc. These, the strongest motives leading to saving, are unaffected by the guarantee of a small annuity out of the public treasury after a certain age has been reached, especially if one condition to securing the annuity is that the applicant should not have received poor relief up to the time when the application is made. The smallness of the pension in all the countries having old-age pension laws (the maximum being only $2.50 a week in Australia and New Zealand) and insistence that during the years immediately preceding application for a pension the candidate should have lived a respectable and self-supporting existence, makes any discouragement of thrift in consequence of the policy quite improbable.

It is no doubt a deplorable fact that in the United Kingdom more than half of the persons who have passed the age of seventy should be entitled to pensions under the by no means excessively liberal provisions of the law, but this fact was not the result of the pension policy; the large amount of old-age poverty which it reflects was rather the cause of the pension policy. It was because statistics showed that one fifth of the population from seventy to seventy-five, one fourth of that from seventy-five to eighty, and quite one third of that over eighty, was actually dependent on pauper relief that a more humane way of caring for the aged poor was introduced. In my opinion, there is quite as much reason for anticipating that the new policy will encourage thrift as for the contrary view. The guarantee of five shillings a week may encourage persons of advancing years, who before had nothing to look forward to but the workhouse, to make some savings to supplement this very small income. There is some truth in the view that people will make sacrifices for tea and tobacco that they will not make for bread and meat. Moreover, whatever the fact as regards saving for old age, there can be no doubt that the new policy will add to the incomes of families who feel the care of parents and grandparents a serious, even though not unwelcome, burden. The better provision for children that may result from this enlargement of family incomes should have a favorable effect on the rising generation. Finally, this and every other change which makes for confidence and certainty on the part of wage earners should tend to encourage prudence and forethought and to discourage recklessness and indifference.

For these and other reasons, that is, that the number of old persons in the country cannot well be increased by an old-age pension policy, that the number of the aged poor is not likely to be increased, and that the influence on prudence and forethought is as likely to prove favorable as unfavorable, the dismal forebodings and head-shakings which the adoption of old-age pension policies by Australia and the United Kingdom has caused in philanthropic circles in the United States, seem to me quite uncalled for.[1]

[1] The Massachusetts Old-age Pension Commission goes so far as to say that: "A non-contributory pension system is

Whether it will prove desirable in the United States at some future time for us to adopt an old-age pension policy is a question the answer to which must depend on the direction taken by the corporation pension systems that are already so common and that seem destined to become very general. If corporation managers can be persuaded to substitute for their establishment pension plans systems that do not interfere with the mobility of labor, such full provision may be made through these systems and through special pension arrangements for public servants of all sorts, college professors, etc., that governmental action, except to provide for public employees, will be unnecessary. If, however, corporate pension plans continue to require those who benefit from them to serve for long years the corporate employer promising the pension, this method of providing for old age will prove

simply a counsel of despair. If such a scheme be defensible or excusable in this country, then the whole economic and social system is a failure. The adoption of such a system would be a confession of its breakdown." One can only regret that the members of this Commission did not visit progressive and prosperous New Zealand and Australia before they committed themselves to such extreme views. Such opinions in those countries, whose "economic and social system" is fundamentally like our own, would excite only amused surprise.

inadequate. Wage earners will have little enthusiasm for it; they will continue to change from employer to employer to better their condition, and a large, in the aggregate a very large, number will fail to secure such pensions because they will not have complied with the conditions.

Our experience with national military pensions has not predisposed us to favor national pensions of any description. Giving full weight to the fact that the number of aged persons is strictly limited, there is still danger that, if we were once embarked on the policy of granting annuities out of the public treasury to private citizens, pressure would be brought to bear on Congress to lower the age limit and increase the annuity, and that this *might lead to unwise extensions* of the policy in both directions. For these reasons it is all the more to be hoped that those intrusted with responsibility for directing the great corporate interests of the country will not only continue to introduce such wise provisions for their employees as old-age pensions, but will do so on terms that will not interfere with the mobility of labor.