

percentage of deductions from salaries should vary, then, with the entrance age. That was not the case with the English contributory scheme of 1834, which was based on a flat rate assessment for all ages, of 2½ per cent. on salaries not exceeding £100 (\$487) and 5 per cent. on salaries exceeding that amount. The result was inequitable as between individuals of different ages and different salaries.

"There must be sharp differentiation between accrued liabilities and future liabilities. The contributions made by present employees should be held in reserve to pay future pensions, and not consumed in paying pensions for past services. The accrued liabilities must be paid by the State, or the contributed fund will become insolvent. To use the current contributions for the payment of pensions on back services is doubly destructive to any scheme, because it not only takes the contributions that were paid in to meet future obligations, but it cuts off the accumulation of interest. This disastrous course was followed under the contributory plan of 1834, as usually happens where there is a commingling of assets.

"Provision should be made for the refund of contributions in case of separation from the service, whatever the cause. The lack of this provision in the act of 1834 was felt to be a hardship and an injustice. The forfeiture of contributions was especially resented when an employee died while in the service.

"Under either a contributory or a pension system, the experience of Great Britain points to several other fundamental principles:

"Retirement from the service should be made compulsory at some given age. If it is merely optional, the purpose of the system is likely to be defeated by the continuance of aged people in the service.

"The amount of the retiring allowance should be calculated on the basis of the average, rather than the final salary. . . . The calculation of pensions on the ultimate, rather than the mean, salary is open to special objection on the ground that it gives heads of departments and bureaus an incentive to show favoritism in the matter of promotions and demotions in the final years of service."

It is understood that in a volume which is to appear shortly Mr. Brown will analyze the experiences of the Canadian government with superannuation and retirement systems.

## THE GOVERNMENT AS A MANUFACTURER.

James J. Hill, discussing government ownership at a dinner in New York recently, said:

"I fear that with public ownership we would be worse served. Take the case of France. France, you know, makes her own matches. And such matches!

"A Frenchman was once arrested at his lodgings. A lot of smuggled foreign matches—the duty on foreign matches is the prohibitive one of a cent per match—had been found in his trunk. The judge said to the man:

"Foreign matches have been discovered in your possession. What have you to say for yourself, miscreant?"

"Please, your honor," stammered the prisoner, "it is true I use foreign matches, but only to light our government ones with."

## OUT OF THE CLOUDS



INTO THE PRINTING BUREAU.