

It is a very difficult problem to manage the details for a large population, because a scheme will often be prejudiced unless it work smoothly in minor matters. In Germany it is found that the investigation of a person's claim takes so long that the claimant has in many cases to fall back on the poor-relief organizations to provide for pressing necessities. For Victoria this question of detail is hardly ripe for serious consideration.

#### THE NATURE OF THE PROVISION TO BE PAID FOR.

It has been recognised as hopeless to expect the population for whom such a scheme is mainly necessary to approve of paying something for a possible nothing, even although all the chances had been duly discounted in the payment asked for. Experience shows that those who assure for a contingency which is not certain—as, for instance, an annuity to commence at some deferred period—almost invariably do so subject to the conditions that, in the event of death prior to the enjoyment of the annuity being entered upon, all the premiums paid will be returned to the assured's heirs. There is little doubt that all drawbacks of that kind would bulk largely in the eyes of those asked to contribute. Mr. J. Chamberlain's scheme endeavoured to get over that difficulty by making grants to wife, children, or heirs in the event of the prior death of the insured; but, of course, it is obvious that these subsidiary advantages have to be paid for either by an increase in the contributions or a decrease in that pension which, without such benefits, the contributions would be capable of providing.

A consideration of meeting the popular prejudice against contributing to a pension, and possibly losing the benefit either through inability to keep up the requisite payments or by early death, brings out the following points:—

(1.) That it is just as important—in fact, more so—that a man should provide for those dependent upon him—for instance, his wife and children—as for his own old age. Both are moral obligations, and there does not appear to be any better reason for the State making a legislative enactment to make compulsory the one more than the other, or, in fact, making the one in any way preferential to the other. But it is particularly the lower-paid workman who neglects to make adequate or any provision for those dependent on him. To draw contributions from the poorer classes to meet the cost of a pension must very materially affect the power to make any provision for wife and family. The problem presents seemingly endless ramifications.

(2.) That there should be some means by which the pension could be made non-forfeitable by reason of inability to pay the contributions as they fall due. For instance, in life assurance we are all familiar with certain schemes of assurance whereby each premium paid protects a proportionate part of the sum assured. It would appear that a somewhat similar plan would be suitable for a pension scheme, especially when so many of the contributors would be periodically out of work. It would be quite feasible to state the amount of pension which would be guaranteed by each payment of, say, £1 made in each year of life, so that the sum of all the amounts thus paid for would be the pension to which the contributor would become entitled. It would only be necessary to see that the principle of compulsion was not allowed to drop out of sight owing to a temporary inability to sustain the payment, but that these should be resumed as soon as the ability to pay recommenced.

#### SOME GENERAL PRINCIPLES OF A CONTRIBUTION SCHEME.

In addition to the complicated machinery required for the collection of contributions, and which would probably take the form, as in Germany, of employers being compelled to deduct the necessary sums from their employes, and account for the same to a State Insurance Department, there is the very serious question of the investment of the funds so created. These funds would require to be invested to yield interest, and the security would require to be first class. In all probability the investment of the funds would be confined to the Government debentures or inscribed stock, and as these at present yield only about 3 per cent. it is clear that the advent of a new regular purchaser (and a compulsory one) would soon have the effect of raising the market price of the stock. Look at the position in Britain, where a large portion of the public debt is in the hands of Government departments on behalf of savings-banks, &c., and where low-interest-bearing Consols are practically the only variety in the market for general investment. Out of a total of £561,000,000 at the 31st March, 1894, about £116,000,000 was held by public departments, and the amount thus held was increasing at a rapid rate. The latter being removed from the market left only £445,000,000, which, being largely in the hands of trustees, left only a small margin for open market purposes. In these circumstances it need occasion no surprise to see  $2\frac{1}{2}$ -per-cent. stock at a premium.

The German scheme was based on  $3\frac{1}{2}$ -per-cent. interest being realised, which is almost certain to prove an over-estimate.

There is little doubt that a scheme involving the creation of a huge capital fund would have a very powerful effect on market prices of investments, and would enable stock to be held by capitalists until a very high premium was obtained. The probability is that an amount of over £10,000,000, even for the present population, would accumulate.

In consideration of the certain difficulties which would attend the satisfactory investment of the enormous accumulated funds, the complicated machinery which would be necessary to compel every one within its scope to contribute, and continue to contribute, and the watchful supervision required to prevent fraud and imposition, many able thinkers have come to the conclusion that a scheme of this kind is unworkable, and must be rejected from a business standpoint.

#### NON-CONTRIBUTION OR GENERAL LEVY SCHEME.

This discards all question of contributions and accumulated funds, and proceeds on the principle of levying by taxation such a sum as will be sufficient for the year's requirements for