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NOMINATIONS

1432-9

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; ROBERT HUNTINGTON KNIGHT, GENERAL COUNSEL FOR THE TREASURY-DESIGNATE; BOISFEUILLET JONES, SPECIAL ASSISTANT ON HEALTH AND MEDICAL AFFAIRS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE; THOMAS D'ALESSANDRO, JR., MEMBER, RENEGOTIATION BOARD-DESIGNATE; AND WILBUR J. COHEN, ASSISTANT SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE

MARCH 22 AND 23, 1961

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NOMINATIONS OF JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; ROBERT HUNTINGTON KNIGHT, GENERAL COUNSEL FOR THE TREASURY-DESIGNATE; BOISFEUILLET JONES, SPECIAL ASSISTANT ON HEALTH AND MEDICAL AFFAIRS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE; THOMAS J. D'ALESSANDRO, JR., MEMBER, RENEGOTIATION BOARD; AND WILBUR J. COHEN, ASSISTANT SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE

WEDNESDAY, MARCH 22, 1961

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.**

The committee met, pursuant to notice, at 10:25 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Anderson, Douglas, Talmadge, Hartke, Williams, Carlson, Bennett, Butler, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first nomination before the committee is John M. Leddy of Virginia, to be Assistant Secretary of the Treasury.

Mr. Leddy, will you come to the table and take a seat?

Do you desire to make a statement, sir?

STATEMENT OF JOHN M. LEDDY, NOMINEE TO BE ASSISTANT SECRETARY OF THE TREASURY

Mr. LEDDY. Mr. Chairman, I have no prepared statement. I have submitted to the committee, available for the members, a biography.

I might just comment briefly on my background. Since 1941 I have been a career civil servant in the Department of State working in international economic affairs. Before that, for 8 years, I was in the Pan American Union in the Division of Financial and Economic Information.

For the past 4 years I have been a special assistant to Secretary Dillon when he was in the State Department, and in that capacity

have tended to specialize on international financial and development problems, and have worked closely with the Department of the Treasury.

I should add that I am familiar with the conflict-of-interest laws. I own no stock or other interests in enterprises, and there is no question of a problem in that regard.

The CHAIRMAN. The chairman has received a letter from you with respect to your biography and holdings which we will insert in the record.

(The biographical sketch and the letter referred to follow:)

DEPARTMENT OF STATE,
Washington, D.C., January 23, 1961.

HON. HARRY F. BYRD,
U.S. Senate.

DEAR SENATOR BYRD: In accordance with your request, I am attaching two copies of a biographical statement for the information of the Committee on Finance in its consideration of my qualifications for the post of Assistant Secretary of the Treasury for International Affairs. I will have additional copies with me at the time of the hearing.

I should add that I do not own any stocks, securities, or other interest in any private or Government enterprise, except, of course, savings and checking accounts. The sole family holdings of this kind consist of 10 shares of American Telephone & Telegraph stock owned by my minor son. If the committee desires a formal certification to this effect, I shall be glad to supply it.

It was a pleasure to meet you the other day and I appreciate having had the opportunity to do so.

Sincerely,

JOHN M. LEDDY.

JOHN M. LEDDY—BIOGRAPHY

Born: Chicago, Ill., June 20, 1914.

Education: Public schools, Chicago and Miami Beach. Georgetown University, B.S. in Foreign Service, 1941; awarded Delta Sigma Pi Gold Scholarship Key for highest scholastic standing in graduating class; research and writing at William L. Clayton Center for International Economic Studies, Fletcher School of Law and Diplomacy, Medford, Mass., 1954-55.

Government career: Home Owner's Loan Corporation, underclerk, 1934-37; Pan American Union, assistant and acting chief of division of economic information, 1937-41; Department of State, 1941-60 in following capacities: Division assistant, Trade Agreements, 1941-45; adviser on Commercial Policy, 1945-47; Associate Chief, Division of U.N. Economic and Social Affairs, 1948-49; Deputy Director, Office of International Trade Policy, 1949-51; Director, Office of Economic Defense and Trade Policy, 1951-53; Acting Deputy Assistant Secretary for Economic Affairs, 1953; Special Assistant to Assistant Secretary for Economic Affairs, 1955-57; to Deputy Under Secretary for Economic Affairs, 1957-58; to Under Secretary for Economic Affairs, 1958-59; to Under Secretary, 1959-60.

Participation in international negotiations, conferences, and agreements: Bilateral trade agreements, Peru, Cuba, Mexico, 1941-42; United States-United Kingdom postwar economic planning and settlement of lend-lease, 1943-46; establishment of General Agreement on Tariffs and Trade and proposal for International Trade Organization, 1946-48; conclusion of basic agreements with Western European countries for execution of European recovery program, 1948; London discussions on most-favored-nation treatment for Japan, 1948; vice chairman and acting head of U.S. delegations to various meetings of contracting parties of GATT, 1948-55; negotiation of Agreement for Organization for Trade Cooperation, 1955-56; Buenos Aires Economic Conference, 1957; NATO meeting of heads of state, 1957; various meetings of U.N. Economic and Social Council, 1947-59; Colombo Plan, Seattle, 1959; establishment of Committee on Commercial Problems, Development Assistance Group (DAG) and the Organization for Economic Cooperation and Development (OECD), 1960; Act of Bogotá providing for a social development program for Latin America, 1960; meetings of World Bank and International Monetary Fund, 1957-60; economic assistance and financial stabilization programs for Poland, France, Turkey, Spain, and

Yugoslavia, 1957-60; United States-Philippine exchange rate discussions, 1959.
 Religion: Episcopalian.
 Special recognition: State Department nominee for Arthur S. Flemming Award (Young Man of Year), 1948.
 Married Louise Crawford of Nashville, Tenn., 1936; one child, Thomas, 18.
 Home: McLean, Va.

The CHAIRMAN. Are there any questions?

Senator ANDERSON. What have you been doing with Mr. Dillon?

Mr. LEDDY. Pardon, sir?

Senator ANDERSON. What have you been doing for him?

Mr. LEDDY. I have been special assistant in the Department of State, working with him on international financial problems such as the Organization for Economic Cooperation and Development, the International Development Association, the Inter-American Bank, the Act of Bogotá, and related questions.

Senator ANDERSON. Is that what you are going to do for him when you go to the Treasury?

Mr. LEDDY. No; in the Treasury Department I would be Assistant Secretary for International Affairs, which does involve the same problems, in a broader field so far as finance is concerned and perhaps less broad in fields such as trade.

Senator ANDERSON. What is your experience and what has your experience been in trade?

Mr. LEDDY. Since I came into the State Department I have worked on international trade agreements for a number of years, and was once Director of the Office of International Trade there.

Since working for Secretary Dillon, however, I have tended to concentrate more on the international developmental and financial problems, rather than trade policy.

Senator ANDERSON. Have you had some relationship with GATT?

Mr. LEDDY. Yes, sir; I participated—

Senator ANDERSON. What was that?

Mr. LEDDY. I participated in the establishment of the General Agreement on Tariffs and Trade in 1947 in Geneva.

Senator ANDERSON. Do you still support it?

Mr. LEDDY. Yes, sir; I do.

Senator ANDERSON. Congress does not, does it?

Mr. LEDDY. Well, GATT has never been submitted to the Congress, Senator.

It is a trade agreement—

Senator ANDERSON. Is there any reason why?

Mr. LEDDY. Yes, sir; because it was a trade agreement entered into under the authority of the Reciprocal Trade Agreements Act. In other words, it was an exercise of the President's power, as provided for in the law. That is why it was not submitted to Congress.

GATT, as you know, contains many detailed tariff concessions on particular items, and Congress has felt that that sort of detailed tariff negotiations, so far, at any rate, should be handled through the Executive.

Senator ANDERSON. You do not think tariffs are part of the congressional function?

Mr. LEDDY. Yes, I do.

Senator ANDERSON. Why wouldn't GATT be sent there?

Mr. LEDDY. Well, because the Congress itself decided this was the best means of handling it through the Reciprocal Trade Agreements Act. But obviously Congress has the basic power, and continues to have the basic power, over the tariff. This is part of the Constitution, as I see it, very clearly.

Senator ANDERSON. In order to make GATT effective, it would have to have some sort of further submission to Congress, would it not?

Mr. LEDDY. No, sir; I do not believe so.

Senator ANDERSON. Wouldn't we have to join some special international organization for it to become effective?

Mr. LEDDY. No, sir.

Senator ANDERSON. We do not?

Mr. LEDDY. No, sir.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. I would like to ask one.

In your capacity as assistant to Secretary Dillon when he was in the State Department, did you have anything to do with negotiating these tax conventions such as—

Mr. LEDDY. No, sir; no, I did not.

Senator WILLIAMS. Will you in your present capacity have anything to do with that?

Mr. LEDDY. I would say, Senator, that I would have a purely advisory capacity in the tax field. That is an area which will fall largely within the competence of Mr. Surrey, as the proposed assistant secretary in the field of tax policy.

These are the conventions for avoidance of double taxation and general tax policy affecting our international relations.

Senator WILLIAMS. I was not thinking so much of that particular type of a convention as I was the suggestion that we may get treaties entered into or tax conventions entered into which would allow as a tax credit taxes which were assessed but which were waived in foreign countries.

In other words, we have established the precedent of allowing as a foreign tax credit, taxes which are actually not paid. It was similar to the so-called Pakistan agreement. Are you familiar with that?

Mr. LEDDY. Yes, sir; I am. I think you are referring to the so-called tax sparing provision which was first included, I believe, in proposed conventions either in the field of double taxation or in the field of our friendship, commerce and navigation treaties, I am not sure which.

Now, that question of tax sparing is a matter which would fall within Mr. Surrey's jurisdiction, but I might just add we are looking at this very carefully as a part of the overall problem of taxation affecting our international relations and affecting our balance of payments.

To my knowledge, we have not reached a definite conclusion on it at the moment.

Senator WILLIAMS. What is your personal conclusion on that type of forgiveness of tax?

Mr. LEDDY. I have favored the principle of tax sparing if, in fact, it would assist in helping the movement of private funds to underdeveloped countries.

I have recently heard, however, arguments that this not a valid consideration, because in many cases the tax sparing provision might well, instead of furthering the flow of private capital to underdeveloped countries, it might in some respect deter it.

It, as I say, has been the situation that I have heard this argument recently, and I can only venture a preliminary opinion.

I do feel that, in general, it is desirable to assist or encourage private capital in underdeveloped countries—I am not now speaking of the movement of private capital to Western Europe or Japan, where there certainly is no further need for any special help there, but in the underdeveloped countries, I think private capital is quite important and can help in limiting the extent to which the United States today has to provide foreign assistance in the form of Government money.

Senator WILLIAMS. Then do I understand that you think Mr. Surrey could better answer the question as to what recommendation it is going to be in connection with that proposal?

Mr. LEDDY. I cannot speak for Mr. Surrey as to whether he is able to answer it today. I simply say he has more knowledge about the subject than I, and will be more directly in charge of it than I.

The CHAIRMAN. Any further questions?

Senator TALMADGE. Mr. Chairman, I would like to ask a question, if no one has any more.

Mr. Leddy, I just want to pursue for a moment the line of questioning that Senator Anderson asked you. Do you believe the executive branch of the Government can, by executive agreement, make an agreement, which has the force and effect of a treaty?

Mr. LEDDY. No, sir; I do not. My comment to Senator Anderson on that was with respect to international trade agreements.

Those could be entered into by the President which affect our domestic laws only with the explicit concurrence, approval, or extension of authority by the Congress, because it is the Congress which makes possible the reciprocal trade agreements program, and in the absence of that legislation, in my mind, the President would be powerless to act under the Constitution.

Senator TALMADGE. You think then the only agreements that could be made would be under the Reciprocal Trade Agreements Act and not anything in addition to that, without ratification by the Congress?

Mr. LEDDY. I think that is correct, insofar as any change in the basic tariff and trade laws.

But I could not myself testify as to what is the exact line of authority of the Executive in all matters affecting international trade in the absence of a statute.

The reason I say that is I do know that in times past, I think extending over a period of many years, there have been simple executive agreements, for example, providing most-favored-nation treatment which, I believe, were entered into independently of an explicit grant of authority from the Congress, but were fully consistent with the practice and laws of the country.

This is why I wish to qualify that, and I must say to you that I do not speak as a lawyer or as a constitutional expert. I speak simply from my experience in dealing with these matters over the years.

Senator TALMADGE. You would not favor undertaking to bypass Congress—

Mr. LEDDY. No, sir.

Senator TALMADGE. (continuing). On matters such as tariffs, by entering into executive agreements that would bypass the Congress?

Mr. LEDDY. No, sir; not at all.

Senator TALMADGE. You would favor submitting every trade agreement of every kind and character to the Congress for approval, except those specifically limited by the Reciprocal Trade Agreements Act?

Mr. LEDDY. Yes, sir; insofar as they affected any congressional power, this would have to be done and should be done, in my opinion.

Senator TALMADGE. No further questions.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Leddy.

Mr. LEDDY. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Stanley Surrey of Massachusetts to be an Assistant Secretary of the Treasury.

I submit for the record a letter from Senator Benjamin A. Smith II of Massachusetts relating to his nomination:

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
March 21, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: It is a privilege for me to endorse the nomination of Prof. Stanley S. Surrey, of Massachusetts, to be Assistant Secretary of the Treasury. The administration is fortunate to be able to secure the services of Professor Surrey, as he is one of the outstanding authorities on taxation in the United States.

Professor Surrey began his service with the U.S. Government in 1933. He has had long experience in the Treasury Department, including service in the position of tax legislative counsel from 1942 to 1947.

Professor Surrey has taught taxation for many years. He is the coauthor of what is probably the best law school casebook of taxation in the United States. As chief reporter of the income tax project of the American Law Institute he has been in continuous contact with the legislative and administrative problems in this field. Professor Surrey brings to this position outstanding qualities of mind and temperament, as well as the broadest experience we could ask of an appointee in this vital field.

I would appreciate it if this letter could be made a part of the record of the hearing on Professor Surrey's nomination.

Sincerely yours,

BENJAMIN A. SMITH II.

The CHAIRMAN. Mr. Surrey, will you take a seat, sir, and make your statement.

STATEMENT OF STANLEY S. SURREY, NOMINEE TO BE ASSISTANT SECRETARY OF THE TREASURY

Mr. SURREY. Mr. Chairman, I do not have a prepared statement. I have submitted to the committee a biography which, I understand, is available to the members of the committee.

I have also discussed with you the disposition of the stocks and other securities that I hold.

(The biographical sketch of Mr. Surrey follows:)

BACKGROUND OF STANLEY S. SURREY

Born: October 3, 1910; New York City; spent childhood in Denver, Colo.

Family: Married to Dorothy Mooklar, Richmond, Va.; son, Scott, age 15.

Education: City College of New York, B.S., 1929 (magna cum laude, Phi Beta Kappa); Columbia Law School, LL.B., 1932 (Kent scholar, managing editor, Columbia Law Review).

Career summary: 1932-33, research assistant to Prof. Roswell Magill, Columbia Law School; 1933, attorney, Proskauer, Rose & Paskus, New York City; 1933-35, attorney, National Recovery Administration; 1935-37, attorney, National Labor Relations Board; 1937-47, U.S. Treasury Department, serving financially as tax legislative counsel, 1942-47, except for war service; 1947-50, professor of law, University of California School of Jurisprudence (Berkeley, Calif.); 1950 to present, professor of law, presently Jeremiah Smith, Jr., professor of law, Harvard Law School, and director of Harvard Law School international program in taxation; private practice as consultant to various law firms and clients.

Professional activities: Member of council, American Bar Association section of taxation, 1958-60; chief reporter, American Law Institute, 1950 to present; member, Advisory Committee to National Committee on Government Finance, Brookings Institution; general counsel, King subcommittee of House Ways and Means Committee, 1951-52; member, American tax mission to Japan, 1949 and 1950; member, Venezuela fiscal survey mission, 1953, 1959; head, Argentina advisory tax mission, 1960; consultant to secretary of treasury, Puerto Rico, 1954; consultant to Ford Foundation at various times, 1948 to present; member of the New York, Massachusetts, and U.S. Supreme Court bars; membership in various professional organizations.

Writings: Coeditor of "Casebooks in Federal Income Taxation," "Federal Estate and Gift Taxation and Legislation"; author of articles in various journals.

War record: Lieutenant (junior grade), USNR, 1944-46.

Clubs: Harvard Club, New York City; Vineyard Haven Yacht Club.

The CHAIRMAN. Have you filed a statement on that?

Mr. SURREY. Pardon, sir?

The CHAIRMAN. Have you filed a statement as to any securities you may hold?

Mr. SURREY. Yes. I have given you a letter indicating the disposition I will make of those.

The CHAIRMAN. Did you give a brief statement—or would you give a brief statement to the committee—

Mr. SURREY. With respect to that matter?

The CHAIRMAN (continuing). With respect to any securities you hold, any conflict of interest?

Mr. SURREY. I hold securities only in listed companies. I have these in a custodian account with a bank in Cambridge, Mass.

If confirmed, I will advise the custodian not to inform me in any way as to any purchases or sales with respect to that account; the custodian is to act only on instructions from an investment counseling firm and not to act on any instructions from me and not to give me any information whatsoever as to the disposition of any of these securities.

The result will be that I will not know what securities are in this account. I think that is not necessary under the conflict-of-interest law, but I think it is an advisable step for me to take.

The CHAIRMAN. What is the amount of your investment in this?

Mr. SURREY. What is the amount of the securities with the custodian?

The CHAIRMAN. Yes.

Mr. SURREY. It comes to about \$150,000.

The CHAIRMAN. What is the name of the company?

Mr. SURREY. These are listed securities, publicly held companies.

Senator BENNETT. The chairman wants the name of the custodian.

Mr. SURREY. Cambridge Trust Co., Cambridge, Mass.

The CHAIRMAN. And they make the investments without knowledge on your part?

Mr. SURREY. That is correct, sir.

The CHAIRMAN. Mr. Surrey, you are appointed, as I understand it, as an Assistant Secretary in charge of tax policies; is that correct?

Mr. SURREY. That is correct, sir.

The CHAIRMAN. To what extent will you make these policies so far as the Treasury is concerned?

Mr. SURREY. Insofar as the Treasury Department is concerned, I will be one of the people to whom the Secretary will look for advice on tax policies. I will have day-to-day jurisdiction with respect to tax matters, but with respect to major policy, the Secretary, as is his fashion, looks to the Under Secretary and other officials of the Treasury Department for advice as to the final position that the Treasury Department takes. Of course, the final position in the Treasury Department will be that of the Secretary.

The CHAIRMAN. Would it be fair to say that you would be the chief advisor to the Secretary with respect to tax policies?

Mr. SURREY. I think I will have, as I say, chief responsibility for this area in that he will look to me for the day-to-day preparation in the field; yes, sir.

The CHAIRMAN. Then he will look to you for recommendations?

Mr. SURREY. Look to me for initial recommendations with respect to these matters.

The CHAIRMAN. You were the head of a task force appointed by President Kennedy, were you not?

Mr. SURREY. Yes, sir.

The CHAIRMAN. Who were the other members of that task force?

Mr. SURREY. The members were Mr. Caplin, who is now Commissioner of Internal Revenue; Mr. DeWind, of New York; Professor Musgrave, of Johns Hopkins University; and Mr. Norman Ture. The latter two are economists, and the first two are lawyers.

The CHAIRMAN. When was that report made to the President?

Mr. SURREY. I think I mailed it to his office on December 31, 1960.

The CHAIRMAN. December 31?

Mr. SURREY. 1960.

The CHAIRMAN. Did the President ever say to you why he has not made it public?

Mr. SURREY. No, sir.

The CHAIRMAN. Why do you think he has not made it public?

Mr. SURREY. Well, it is a little difficult for me to speculate. It is a—it was a confidential report to the President; as I understand it, the assignment to me was of that nature.

If I had to speculate on the matter, I would think that the President wanted to discuss these matters with other officials of the Government and with the Congress in a field as important as taxation.

I think that he probably felt that it would be, perhaps, inappropriate to release a tax report without consultation and without reflection on the policies advanced.

The CHAIRMAN. Most of the other task force reports—there have been quite a number—were they not made public?

Mr. SURREY. I think most of them are. I do not think all of them were, although I am not informed as to that.

The CHAIRMAN. The President has never indicated to you why he did not make your report public?

Mr. SURREY. No, sir; he has not.

The CHAIRMAN. And you have no idea when it will, if it ever will, be made public?

Mr. SURREY. No. I think that, in a sense, other events are coming along which materially lessen any importance with respect to this report. In other words, the President is sending a message in the tax field to the Congress around the first of April, and that it seems to me will be a far more important document than the contents of this report.

The CHAIRMAN. I assume that you consider this to be a personal report to the President, and it would not be subject to consideration by this committee?

Mr. SURREY. Our task force was asked to report to him on a confidential basis, and the report was submitted in that light.

The CHAIRMAN. Do you think it is a confidential report to the President then? If the committee desired to see the report in order to determine what they regard as your qualifications for this very important position, would you feel at liberty to give the report to the committee?

Mr. SURREY. I do not think—I would not feel at liberty to give it since I was asked to submit it to the President-elect.

The CHAIRMAN. You mean the President would have to give his consent? Could you give it to the committee if the committee desired to see your report, with—

Mr. SURREY. I think I would, as I say, put me in a somewhat difficult and embarrassing position in the sense that I was asked to submit a confidential report to the President.

The CHAIRMAN. Then you regard the report as confidential, and I assume it could not be made public by you—

Mr. SURREY. Yes.

The CHAIRMAN (continuing). Without the approval of the President?

You do not know why he has not made it public?

Mr. SURREY. Well, I think, as I say, if I had to speculate, Mr. Chairman, it is simply that he wanted to discuss these matters with other officials. There may be some implication that it is a bad report; I do not think so.

The CHAIRMAN. I thought most of those reports are made public. I may be mistaken. Anyway, as long as we cannot have that report, I have some questions to ask as to certain statements that you have made.

Now you have contributed to the Harvard Law Review throughout the years, have you not?

Mr. SURREY. Yes, sir.

The CHAIRMAN. On page 1164 of the Harvard Law Review, volume 70, 1957, you say this:

The question "Who speaks for tax equity and tax fairness?" is answered today largely in terms of only the Treasury Department. If that Department fails to respond, then tax fairness has no champion before the Congress.

Do you think that is an accurate statement?

Mr. SURREY. Well, I was referring, of course, not to the Congress itself, and not to the committees of the Congress, and I do not want that implication—I do not think that implication should be put in that statement.

What I had in mind, I think, in writing that at the time, was that, generally speaking, the hearings before committees consist of witnesses who are advancing matters which they think are desirable and, of course, which they think are proper, in matters of tax policy and which, if adopted by the Congress, would be favorable overall.

The aspect of an objective appraisal of these matters, I think, falls upon the Treasury Department; I have always assumed that is the responsibility of the Treasury Department.

The CHAIRMAN. Now you go on to say that:

A Treasury Department that contents itself with explaining the issues and then solemnly declaring the matter to be one for the policy determination of the Congress abdicates its responsibility.

I thought that Congress, under the Constitution, had the responsibility, the sole responsibility, for the enactment of tax legislation.

Mr. SURREY. There is no question about that.

The CHAIRMAN. What do you mean by—

explaining the issues and then solemnly declaring the matter to be one for the policy determination of the Congress abdicates its responsibility.

Mr. SURREY. I do not think there is any question, sir, that it is the responsibility of the Congress to enact tax legislation. What I had in mind was—

The CHAIRMAN. It is the sole responsibility of Congress, is it not?

Mr. SURREY. The sole responsibility; yes, sir. But what I had in mind—

The CHAIRMAN. The Treasury can recommend to Congress, but the Congress has the sole responsibility to enact the legislation.

Mr. SURREY. What I had in mind, sir, was that I thought it was incumbent upon the Treasury, in aiding the Congress in reaching its decision, the Treasury could indicate its point of view of what is desirable or undesirable policy, recognizing that the sole responsibility for decision in enacting the legislation is with the Congress.

The CHAIRMAN. You would not approve of any force or undue influence on the part of the Treasury Department or of the administration to compel Congress to enact legislation, in the way of taxes, would you?

Mr. SURREY. No, sir.

The CHAIRMAN. I do not exactly understand what you intended to say there.

You say this, which you might explain:

He [the Congressman] will invariably interpret a Treasury statement that the matter is one for his own policy decision as a victory for the seeker of the special provision.

What do you mean by that?

Mr. SURREY. Well, I think what I meant by that was this, and I may be completely wrong in the analysis of the situation, because obviously that was based upon prior experience in representing the Treasury, and the officials in the administrative branch are not privy to the decisions of the committee itself.

But my general impression at that time was that the committees did desire to hear the view of the Treasury with respect to policies on these matters, and if the Treasury had no policy formulation one way or another, it seemed to me—I may be wrong on that—that was understood by the committees to indicate that there was no basic objection by the Treasury Department to the proposal.

Now, if I am wrong in that, and in the past misunderstood the reactions of the committee, then it is simply a misunderstanding as to the reactions of the committee.

I had the impression that when a statement of that kind was made by the Treasury Department it was then understood by the committees as to indicate there was no basic objection to the proposal.

The CHAIRMAN. But you indicate here, and you say: "Invariably interpret a Treasury statement"—invariably, the Congressman, if the Treasury statement is not made, and the matter is for the determination and decision of the Congressman, it is a victory for the seeker of the special provision. In other words, selfish interests are controlling the Congressman? What do you mean by that?

Mr. SURREY. No, no, I did not mean that at all, sir.

What I meant was that I had thought that when a particular piece of legislation is suggested to the Congress that, if the Treasury indicated it had no policy one way or the other, then insofar as that particular provision was concerned there was no objection by the Treasury Department to its enactment.

Now, if the matter is normally, one might say, a special technical matter, then in the general nature of things, of course, not always, if there is no objection by the Treasury Department, I think that would indicate that there was nothing particularly wrong with the provision and, therefore, the inclination, I would suppose, by and large—and this is only a generalization—is that the provision will be approved, by and large.

The CHAIRMAN. It indicates, however, there that you do not have a very high opinion of the Congress.

Mr. SURREY. Sir, that is, I think, an implication which is wrong—I am sorry that you reach it from that writing, because let me just say a word on that. I have taught for a number of years a course on legislation in the law school. The overall effort of that course is to make the lawyer aware of the importance in his professional life of relations with Congress, and of the great significance in this country of the Congress of the United States as a democratic institution; and it is my feeling that if lawyers were more aware of how this institution operates and knew how to cooperate with it and work with it and understood its results, the legal profession would be far better off.

The whole thrust of this course is the importance, capability, and significance of the Congress of the United States.

The CHAIRMAN. Then you go on to say that:

Perhaps the most significant aspect of the consideration of special tax provisions by the Congress is that it usually takes place without any awareness of these events by the general public. Almost entirely, these matters lie outside of the public's gaze, outside the voter's knowledge. The special provisions which are enacted lie protected in the mysterious complex statutory jargon of the tax law.

That would indicate, it seems to me, that you do not have faith in the two committees of Congress, especially the Ways and Means Committee and the Finance Committee, in acting in regard to these matters, and with the full knowledge of the facts.

Mr. SURREY. If I recall, I think there is a passage in that article which—

Senator BENNETT. Mr. Chairman, I have a copy of the article. If Mr. Surrey would like to refresh his memory I think he might have the article before him. Would you like it?

Mr. SURREY. Well, yes, sir.

This was written some time ago, and I am not sure—

The CHAIRMAN. The inference there seems clear to me that you think that some of these things are sneaked through without the knowledge of the Members of Congress or anyone else.

Senator KERR. Or maybe with their cooperation.

Mr. SURREY. No. I think, again, that is the wrong inference, and it just indicates the difficulties of expression in this area.

It is my—

The CHAIRMAN. Before you answer, here is another statement you made. Perhaps you can answer both together:

Hence the Congressman favoring these special provisions has for the most part no accounting to make to the voters for his action. He is thereby much freer to lend a helping hand here and there to a group which has won his sympathy or which is pressing him for results.

That is on page 1157 of your statement.

Mr. SURREY. The point, I think, I wanted to indicate was this: It is, and I am sure it is said in the article, and if I had time I would find it, it is amazing to me, given the very difficult pressures that are brought to bear on the committees of Congress in this field, how well our tax law stands up in relation to the laws of other countries.

In other words, I think I am aware of this, but you gentlemen are far more aware than I am, of the great pressures that are brought to bear on the committee, not in a sense of undue pressure, but simply in the vast amount of proposed legislation. The number of tax bills far exceeds, as I understand it, any other type of legislation.

This is an enormous mass of material which has to be gone through by the top committees of Congress.

What I had in mind is that inevitably every particular provision cannot be scanned with care, and I would suppose generally speaking, if there is no particular disagreement between the Treasury and the proponent of legislation, then by and large, that legislation is looked upon satisfactorily.

The CHAIRMAN. Do you think the Treasury Department is more competent to deal fairly and justly in these tax matters than the Congress?

Mr. SURREY. No, sir.

The CHAIRMAN. Well, you indicate that in what you have said.

Mr. SURREY. No. In my own experience, looking back, I have seen a number of situations where, due to inadequate analysis of the matter by the Treasury Department, I think mistakes were made in legislation. Those mistakes were, as I say, the fault of the Treasury Department and not the fault of the committees of the Congress. But the committees tend to rely on the Treasury Department, and I indicated it was very difficult to appraise the significance of the proposals that are presented to the committee.

The CHAIRMAN. Your statement carries the clear implication that certain tax matters are sneaked through without the knowledge of the public, without the knowledge, apparently, by any in the Congress.

Have you got one single instance to justify that statement?

Mr. SURREY. I don't think "sneaked through" would be the term.

The CHAIRMAN. That is what you say. I will read it again. You do not use the word "sneak" but you say:

Perhaps the most significant aspect of the consideration of special tax provisions by the Congress is that it usually takes place without any awareness of these events by the general public. Almost entirely, these matters lie outside of the public's gaze, outside the voter's knowledge—

and so forth.

Mr. SURREY. This was a statement I was looking for, Senator.

The CHAIRMAN. Deal with this statement, the question that I have asked you. If it will help you find it, it is on page 1175. You have evidently written a great deal about tax laws, and you probably say one thing one time and another thing another time. But I want your answer with respect to this statement.

Mr. SURREY. No. I think I could give an illustration. I remember when I was in the Treasury Department, the question came up as to the appropriate treatment for lump-sum terminations in connection with pension plans.

At the time there was only a very short period of time to analyze that proposition. It came up in connection with a pension plan that only paid out amounts in lump sums to employees who were largely nontaxable and, if taxable, in very low brackets.

In a very short space of time we attempted to analyze it, and we informed the Congress that a proper solution to this would be to give it capital gains treatment.

I think that was an inadequate decision on the part of the Treasury, which was adopted by the Congress—

The CHAIRMAN. Mr. Surrey, if you will pardon me, I would like to conduct this interrogation in an orderly way. I am coming to these other matters.

I want you to answer the question I have asked you.

Senator ANDERSON. Mr. Chairman, could he finish that statement in just a second and tell us, would you have been in favor of confiscating these pension plan funds?

Mr. SURREY. No.

Senator ANDERSON. That is what you would have to do. There is no alternative. If you are not going to give it on a capital gains basis, and a man retires and wants to draw it all, and it is all treated as ordinary income, it will be confiscated or 80 percent of it might be, and are you in favor of confiscation there?

Mr. SURREY. No, sir. That would be an inadequate solution. I think——

Senator ANDERSON. Well, we call it capital gains.

Mr. SURREY. What I was going to say, Senator, was, I think at that time, if we had more time, if we had studied the magnitude of the problem, we would have suggested alternatives to the Congress, such as averaging the payment over the person's lifetime, perhaps.

Senator ANDERSON. I apologize to the chairman.

Mr. SURREY. By averaging it over his lifetime, which would have removed the distinct impediment of the bunching in 1 year.

Now, in that situation, no one had an opportunity to reflect on it. It was done very quickly and, as a result of that provision, a particular phase of the law has developed.

It was inadequately considered by the Treasury Department, with no opportunity for comment. Whether that was a wise thing or not, I think is debatable today.

Senator ANDERSON. Was it your idea that the Congress should never have considered this?

Mr. SURREY. In that particular instance——

Senator ANDERSON. Never mind that instance. It has been before the committee, and I am sure I am not wrong on that, we have considered this round after round. It is not just by an ill-considered and unwise technical decision. It is by action of the Congress of the United States, repeated action.

Mr. SURREY. Yes. At that particular time it was not given consideration; the Trasury had proposed a solution and it was adopted without objection.

Senator ANDERSON. But when people objected to it, it was reviewed by the Congress.

Mr. SURREY. That is correct.

Senator ANDERSON. And the Congress approved it. You believe in majority rule, do you not?

Mr. SURREY. Certainly.

Senator ANDERSON. What is wrong with it, then, with the majority voting for it? Why can't you accept a decision of the Congress?

Mr. SURREY. No. What I am trying to indicate, Senator, is that after the treatment had been placed into the law initially, then you have, I think, a different set of affairs. It would be somewhat disturbing to change the practice.

What I was concerned about was the initial decision. I think perhaps a number of persons would have thought, on reflection, that an averaging decision should have been considered at the time. At the time, however, there was no time to analyze the matter.

Senator ANDERSON. I was going to say to you, and I apologize to the chairman for breaking in when I should not have done it, but I just want to say to you that I am one who reacted more violently than you did to this idea. I thought this was terrible because in some instances, some people got very advantageous treatment. But if you do not apply it that way, when you get down to the people who need some money for a particular use, because of my activity in another field, I will not say for hospital expenses or doctor bills, but if, by some chance, they need some money and they have to withdraw their pension funds in cash, you virtually confiscate it, and I know no way of getting around that.

We considered alternative matters. The committee considered various things you might do, and I just do not believe you should say it was ill considered, because we spent a lot of time on it. We do not have too much time, but nearly always we have a couple of committee meetings every morning.

Mr. SURREY. I am not saying it was ill considered later on, Senator. I think you misunderstood me.

Senator KERR. I wonder if I might interrupt. His statement was that it was ill considered by the Treasury.

Senator ANDERSON. That was back in the Eisenhower administration?

Mr. SURREY. No. This was back in 1942.

Senator ANDERSON. Then I am sure it was not ill considered.

[Laughter.]

Mr. SURREY. Can I read the statement I had in mind, Mr. Chairman?

The development of a proper tax structure for an economy as large and as complex as ours is a task of the first magnitude.

Given the dimensions of the task and the political arena in which it must be undertaken, the Congress has performed the essential work successfully. It has shown remarkable collective wisdom in shaping our Federal tax structure, and its accomplishments in this field may be measured favorably against the tax systems of other countries.

The CHAIRMAN. I still have not got an answer to my question. I want to read another statement you made, and I think it is a reflection upon the Congress. You say:

Hence the Congressman favoring the special provisions has for the most part no accounting to make to the voters for his action. He is thereby much freer to lend a helping hand here and there to a group which has won his sympathy or which is pressing him for results.

That is a reflection upon the Congress. It says we are not doing our duty here.

Then you go on and you seem to suggest that the executive branch has greater power and influence, because on page 1182 you say:

It is suggested that the executive branch take affirmative action to attack the problem through a strong program led by the President or the Secretary of the Treasury designed to focus public consideration on special provisions and their interaction with the rate structure.

I assume you make that statement because you think the Congress has not focused the attention on it.

The Treasury's tax officials and technicians should engage in intensive research on these matters and the results of their studies should be made public.

Let me now say that I hope the results of your studies, as the head of this task force, will be made public, and I hope you will urge the President to make it public, and if you feel at any time you are at liberty to accede to a request of the Senate Finance Committee to make it public, I would like you to let me know so that we can make that request.

Mr. SURREY. I will be glad to do so.

The CHAIRMAN. Then you go on to say:

In the Congress, consideration should be given to changes in the methods of obtaining information on tax problems—

et cetera.

Now we will pass on to some other matters.

As I understand it, you favor the taxation of tax-exempt interest on State and local bonds, and so forth; is that correct?

Mr. SURREY. In testimony before Mr. Mills in the House Ways and Means Committee, as a private citizen, I indicated that I thought that would be a desirable step.

The CHAIRMAN. Is that your position now as Assistant Secretary of the Treasury?

Mr. SURREY. I do think, Mr. Chairman, that a person who changes his role from a private citizen to that of a Government official, has an obligation to consider all problems in a fresh context.

Senator KERR. In what?

Mr. SURREY. In a fresh context.

Senator WILLIAMS. Does it mean that you should be a puppet and not exercise your own opinion?

Mr. SURREY. I beg pardon, sir?

Senator WILLIAMS. Does that mean he should be a puppet and not exercise his own opinion?

Mr. SURREY. No, sir; by no means. I think it does—

Senator WILLIAMS. Let me read what he said in connection with tax-exempt interest. In connection with that you stated:

This exclusion is indefensible from the standpoint of income tax policy.

Do you still feel that way about it?

Mr. SURREY. Could I just make a general statement and then answer this particular question, because I think I would put it this way:

As a professor and as a private citizen, one attempts to get all the information he can with respect to a particular matter. He does not work in a vacuum, and he does attempt to get the information he can. But he is necessarily limited in what he can do.

As a public official, he has access to a great, much greater, mass of information, both solicited and unsolicited.

This information can either confirm his views or it can alter his views. He also bears responsibility, with a number of other officials, to make recommendations.

Now in this particular area of tax-exempt securities, I would like to explore as far as I could the effect of this upon municipalities and their financing, and on the States to see whether initially my views would be confirmed or would be changed as a result of the information.

At the moment, I certainly think that the subject of tax-exempt securities is one of the matters that should be reexamined in any program of tax reform.

The CHAIRMAN. Your line of thinking appears to be that should this law be repealed that you would grant some subsidies of some kind to the States, because you say this:

If this interest were taxable today and the Federal Government desired to grant assistance to the States and local government units with respect to their borrowings it is inconceivable that a plan which meant giving a tax windfall to the wealthy would be adopted. Yet tax history has produced such a plan, and the wealthy are its undeserving third party beneficiaries.

Is it your idea that, if this tax exemption were repealed, the Federal Government would give subsidies to the States, as indicated by this statement?

Mr. SURREY. I would think consideration would have to be given to that aspect in any consideration of the repeal of the exemption because of the fact that, I gather, statistics do indicate that here is some lower margin of interest attained by States and municipalities. How much is uncertain.

There is some lower margin of interest, and it may be advisable, as a matter of Federal-State relations, to consider leaving with the States and municipalities that present advantage.

The CHAIRMAN. Have you changed your mind on it or, as an individual, do you still favor the repeal of the tax-exempt interest?

Mr. SURREY. As an individual I would favor that.

The CHAIRMAN. And that is your firm conscientious judgment, is it not?

Mr. SURREY. Based on the information I then had.

The CHAIRMAN. Isn't it your duty then, if it is your conscientious judgment as a tax expert, which I concede you are, that you should make that recommendation to Secretary Dillon?

Mr. SURREY. No, sir; I do not think it is incumbent upon me to make that recommendation to Secretary Dillon now.

I think I would say if the Secretary were to ask me about the matter, that this is an area in which I think we should examine the consequences of this change to see what the problems would be, to discuss it with State and local governments.

The CHAIRMAN. In other words, you feel when you first formed this conclusion that you did not consider the whole field of results incident to repeal?

Mr. SURREY. I considered it to the extent of the information I then had.

The CHAIRMAN. Don't you have as much information as anyone could get? You are an expert on tax policies.

Mr. SURREY. Mr. Chairman, the amount of information I have gotten in the last month on tax matters far exceeds the amount of information I got in 2 or 3 years as a professor.

The CHAIRMAN. I thought you had been heralded all around the country for a long time as being a great tax expert, and you were put at the head of the tax policy by the President, at the head of the task force.

Now another question—

Senator BENNETT. Mr. Chairman, before you leave that, may I ask a question?

The CHAIRMAN. Senator Bennett.

Senator BENNETT. You have been a private citizen, but you also have been a professor of taxation. Did you teach your classes that the principle of tax exempt interest should be eliminated?

Mr. SURREY. I attempted, in teaching my classes, to discuss with them the pros and cons of every particular subject so that they could form an independent conclusion on the matter.

If they desired to know what my particular view was on the matter, I gave them my view. But I did not want to give them my view unless I had first given them the pros and cons of the matter, so they could make up their minds for themselves.

Senator BENNETT. Now you find yourself in a position where you have got to face the pros and cons.

Mr. SURREY. That is correct; and I tried to indicate that I wanted carefully to face the pros and cons.

In other words, I would think in a matter of this nature before the Treasury Department, before I made my recommendations, before I made any recommendations, I would like to consult with State and local officials, I would like to consult with experts who handle Government securities, investment houses, and a wide variety of persons in and out of the Government to see, in the final analysis, whether this solution which history, I think, has given us, is the wisest solution under all circumstances or whether there is—

Senator WILLIAMS. In other words, there is a possibility that you may have gone off halfcocked when you made the statement.

Mr. SURREY. No, I do not think so, Senator.

Senator WILLIAMS. If you knew all the facts and had all the information, why did you suddenly change your mind when you came before this committee?

Mr. SURREY. I have not changed my mind.

Senator WILLIAMS. Oh. Then you still are of the opinion that the tax exclusion is indefensible from the standpoint of income tax policy?

Mr. SURREY. That is correct.

Senator WILLIAMS. You still think it is indefensible?

Mr. SURREY. I want to say—

Senator WILLIAMS. I thought you were getting away from that.

Mr. SURREY. I want to say my mind is not closed on any of these matters, and if I can be shown that I am wrong, then I think it is obviously my responsibility to change my views. But it well may be, and I think it might be in this, that my views might be confirmed.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. If I understood the chairman correctly, he read some language that you regarded this not only as indefensible, but as a tax windfall to the wealthy.

Mr. SURREY. That is correct.

Senator ANDERSON. Has it occurred to you that this might be done in order to permit cities and States to take care of their own financing?

Mr. SURREY. Well, I think that is the basic reason for the exemption today.

Senator ANDERSON. Do you know whether the exemption falls only on the wealthy, or whether more of it goes to foundations?

Mr. SURREY. Well, to the extent that individual owners hold tax-exempt securities.

Senator ANDERSON. But which group is the largest holder of the State and municipal bonds?

Mr. SURREY. I do not have the figures at my fingertips. They are obviously held by financial institutions, foundations, colleges, and the like.

Senator ANDERSON. If they are held by financial institutions, banks which have large lists of stockholders, it is not necessarily to the—primarily to the wealthy, is it?

Mr. SURREY. No, it is primarily to the larger corporations, I would say.

Senator ANDERSON. Yes. And you were living in New York; have you consulted the municipal officials in New York as to what taking

away the tax exemption from municipal bonds would mean to that municipality?

Mr. SURREY. Well, I think that is the problem, Senator. I tried to put the question this way:

Assuming that we never had this exemption, for the moment let us assume we never had it, and the issue came up as to how we could assist States and municipalities to meet their financial difficulties, the question is, would the Congress today adopt as a method of aiding municipalities an exemption for State and local securities? Now on that I have doubts whether the Congress today would have chosen this route.

Now it is a route which history has given us and, therefore, has to be viewed in that perspective. I doubt if we view the matter afresh we could have chosen this particular way to give assistance to States and municipalities.

Senator ANDERSON. When this matter has ever come before the Congress, you should see what comes into a man's mail from the municipalities, from the school districts. By your route, you would cut off a schoolroom every once in a while from the schools because you would raise the interest rates so high they would only have a limited number of schoolrooms, rather than a larger number, and those arguments are compelling, and I do not regard it as a tax windfall to the wealthy.

That is all I wanted to say.

Mr. SURREY. Could I just say in reply to Senator Byrd, I thought if this provision were adopted, it would have to be coupled with some mechanism that would give direct aid to States and municipalities to offset any detrimental effect with respect to their borrowing.

Senator ANDERSON. Yes. But these school districts that I speak of are local school districts.

Now you have found in the little bit that you have been here how hard it is to get through Government aid to education.

Wouldn't it be harder to get through a Government subsidy, because they would have to pay higher rates than somebody else had to pay?

Mr. SURREY. I would not have thought this in connection with the legislation itself. I had assumed as part of—in writing that statute—as part of the repeal of the exemption there would be coupled with it at the same time a method of providing direct assistance.

The difficulty today is that the loss to the Federal Government in tax revenues results in only about—I think the figures are, and I would like to check this—one-third of that loss going to States and local governments.

In other words, that the States and local governments and school districts are benefited only to the extent of about one-third, I believe, or two-fifths, something like that, of the overall revenue loss to the Federal Government from the exemption itself.

So that it is in that sense, if you are directly interested in the exemption as giving aid to States and school districts, a rather inefficient method of doing it, and my suggestion was that this was indefensible as a method of accomplishing this, and that other methods would seem to me far more appropriate.

Senator TALMADGE. Would the Senator yield at that point?

Senator ANDERSON. Yes.

Senator TALMADGE. My recollection of the case of *Marbury v. Madison* is somewhat hazy, but didn't the Supreme Court at that time rule that the Federal Government could not tax State governments, or something to that effect? Isn't there a constitutional prohibition against the Federal Government taxing obligations of States and municipalities? Wouldn't you have to amend the Constitution to do what you advocate?

Mr. SURREY. I would suppose that there would be on this point, perhaps, some difference of opinion among lawyers.

The Department of Justice is on record, a number of years back in the forties I believe, with an opinion that it would be constitutional to tax, for the Federal Government to tax, the obligations of State and local governments.

Senator TALMADGE. Didn't Chief Justice Marshall in that famous landmark case hold to the contrary? That is my recollection. I have not read that decision for many years, and I may be somewhat hazy on it, but didn't he say otherwise?

Mr. SURREY. Well, I do not believe that, as I say—the Department of Justice did not so interpret it, and the Supreme Court has held that the Federal Government can tax the salaries of State and local officials.

Senator TALMADGE. But the salaries are personal income. The obligation is of the State or the municipality or the county itself. It is totally different. There is a distinction between my personal income as a U.S. Senator or the income from the State of Georgia, which is a salary, and the bonds of a State of this country, like Georgia, or a bond of a municipality or county in Georgia. They are entirely different.

Mr. SURREY. I think because of the views you indicate that certainly if it were changed, if the Congress were to enact such a law, it would go to the Supreme Court for a test.

I suppose the Government would argue that the tax is on the income of the particular bondholder; in other words, it is a tax on his interest in the same manner that in the salary cases the tax was on the employee's salary, and that would be the Government's argument basically before the Supreme Court. Plus, I suppose, the Government would also rest upon the 16th amendment to the Constitution as indicating if there was any other inhibition in the Constitution, it was removed by the 16th amendment.

But I think I would agree with you to this extent, certainly, that this would be a matter that ultimately would be taken to the Supreme Court.

Senator TALMADGE. Well, didn't John Marshall further say that the power to tax is the power to destroy, and if you gave the Federal Government the power to tax the obligations of each of the 50 States and their counties and municipalities, that it would vest a great power to destroy those particular entities of government in the Federal Government?

Mr. SURREY. That is one view. I suppose the other view would be the statement, to borrow in a way from Justice Holmes, that the power to tax is not the power to destroy as long as the Congress sits, and I would subscribe to that view.

Senator KERR. Didn't Holmes say it wouldn't be the power to destroy if the Treasury did it?

Mr. SURREY. No, sir. I would subscribe to the viewpoint as long as the Congress sits.

Senator KERR. A while ago you were defending your criticism of legislation on the ground that it was the result of an ill-considered action of the Treasury.

Mr. SURREY. I think that that ill-considered action of the Treasury at that time gave the Congress insufficient advice for the Congress to make its decision.

Senator KERR. Well, did you ever contemplate the possibility that Congress was capable of making a decision on the tax law even without the heaven-sent advice of the Treasury?

Mr. SURREY. I think, Senator, that there is no question about it. If there is sufficient time—if there is sufficient time——

Senator KERR. Who should be the judge of that?

Mr. SURREY. I suppose in the ultimate analysis the Congress.

Senator KERR. Is it a violent effort for you to indulge in that supposition?

Mr. SURREY. I would, on that I would, rest on your judgment. In other words, if you feel that on all these matters there is sufficient time, there is not any quarrel between you and me.

Senator KERR. It is an obligation and the responsibility is fixed by the Constitution, is it not?

Mr. SURREY. That is correct.

Senator KERR. There is no disagreement on that point by the Justice Department?

Mr. SURREY. I suppose, I had always been viewing it in this light: That my prior experience indicated the great mass of legislative material that comes from congressional committees, it is appalling to me how much there is. We get some of it in the Treasury Department when we are requested to send up our statements on reports, and I can just see the mass of work we have in carrying that out; and my feeling is that unless we are alert and everybody is alert, there is so much of this that at times a provision may not get the consideration given to it that it deserves. That happens in the executive departments, and I had thought it could happen in the Congress.

Senator KERR. I apologize to the Senator from Georgia. I presumed he was going to get around to the decision which I understood was one that was decided by the Supreme Court after the position submitted by the Government that the Congress did have the right to, as I understand it, tax incomes, is that right; and then the *Pollock* decision, I think, held that taxation of that income which was derived from municipalities was unconstitutional, as I remember, so that there is a much more recent decision.

Senator TALMADGE. That is correct. I merely went back to what I thought was the original decision establishing the basis of taxation by one division of the Government over the other.

I am not familiar with the decision that the Senator points out, but it is my recollection that the Supreme Court handed down a very firm decision that it would be unconstitutional to tax the obligations of States or municipalities.

Senator KERR. Didn't they set aside an income tax law by the Congress in the *Pollock* decision?

Mr. SURREY. Pollock.

Senator KERR. Pollock.

Mr. SURREY. The *Pollock* decision.

Senator KERR. Isn't that what the Supreme Court held?

Mr. SURREY. Yes. That was one of the decision which set aside the income tax act prior to the 16th amendment.

Now, one of the controversies in this area, that is, one of the points that would arise necessarily in any Government brief on the question would be whether the 16th amendment removed the result of that decision. That was a decision which, in a sense, provoked, which brought about, the 16th amendment.

Senator KERR. But as a result of the 16th amendment, Congress has enacted the income tax solely on income which did not include the income on municipals or State bonds, has it not?

Mr. SURREY. Yes, sir. But I think the opinion of the Department of Justice that was given to the Congress was that this was a statutory exclusion and not a constitutional requirement.

Now, as I say, I think the result of any change would be a lawsuit in the U.S. Supreme Court, and if I had to hazard a guess, I think most lawyers would feel that the Government would win that decision, would win that lawsuit.

Senator KERR. I think that is a little broad statement. I am not at all doubting that you believe that, but when you say the opinion of most lawyers—

Mr. SURREY. As I say, it is a guess on my part. The Supreme Court, in the light of its prior decisions, would sustain this action by Congress if the Congress were to take that action.

The CHAIRMAN. I have several more questions. I was puzzled by your recommendation headed, "Home Ownership."

Another preference that has become built in through default is the exclusion from income tax coverage of the imputed income on owner-occupied homes. The estimated amount of this income is \$4 billion.

Do you mean then that an individual who builds a home would have to consider, make some estimate, of the rental value of that home, so to speak, and include that in his income tax?

Mr. SURREY. I did not recommend that, sir.

The CHAIRMAN. Well, you made the statement here that:

Another preference that has become built in through default is the exclusion from income tax coverage of the imputed income on owner-occupied homes. The estimated amount of this income is \$4 billion.

Why did you make this statement if you did not believe that the rent of a man who builds his own home should be included in his income tax?

Mr. SURREY. What I was saying, Senator, is this:

If you look at a number of the income tax systems of developed countries, they do include in the total income of an individual the rental value of owner-occupied homes.

The British system does that, for example, and I think most economists would say that in computing a person's overall income, the rental value that he gets from an owner-occupied home should be considered as income.

I was pointing that out. But I also indicated that I was not recommending any change in that provision, in that result.

The CHAIRMAN. You say most economists have that view. Can you name another economist outside of yourself who has that view?

Mr. SURREY. I am not an economist, sir. I am a lawyer.

The CHAIRMAN. What are you?

Mr. SURREY. I do not want to pick any economist—

The CHAIRMAN. You say most economists. I have been on this committee for 28 years, and I never heard such a recommendation here.

Mr. SURREY. It is not a recommendation; I am not making that as a recommendation.

The CHAIRMAN. But you said most of the economists agreed with that theory of taxation.

Mr. SURREY. Yes. I think—

The CHAIRMAN. What economists have agreed to it or recommended it?

Mr. SURREY. I did not say recommended. I think that is the difference.

The CHAIRMAN. Well, you said agreed to it.

Mr. SURREY. No.

Senator ANDERSON. Let us get the agreement. Who agreed to it?

Mr. SURREY. I think Professor Vickery, I do not want to be unfair to these gentlemen, and this is recollection, Professor Vickery, Professor Due. I think most of the standard textbooks on public finance indicate—

The CHAIRMAN. Has any sound economist agreed to the approval of that? [Laughter.]

Senator DOUGLAS. Mr. Chairman, if I may refer to an economist who is dead and whose reputation will, therefore, not be injured, because he advocated the same step that Mr. Surrey had advocated, I would like to bring in the name of Irving Fisher, who was probably the most skilled, most precise, thinker in American economics, and who was probably the greatest authority on the real nature of income.

I do not think his chances for preferment will be damaged by this statement, since he died 20 years ago.

The CHAIRMAN. Does this represent your opinion or recommendation or what does it represent?

Mr. SURREY. No, sir. I have recommended no change in that treatment. Obviously it involves a great many more problems than some other changes.

Senator WILLIAMS. Do you agree or disagree with those conclusions of these economists you refer to that in that connection?

Mr. SURREY. I would think, Senator, if you are looking to include in a person's income all matters which could be classified as income, if that was your goal, if that was your goal, let me repeat, and you wanted to include all matters which could be classified as income, I would say that one would consider this matter, but that would be pushing the goal too far.

Senator KERR. What goal?

Mr. SURREY. The goal of including in a person's income all matters which could be classified as income.

Senator WILLIAMS. Not being a Harvard lawyer, nor student of yours, would you tell me whether you said you agreed or disagreed with it? I do not quite understand.

Mr. SURREY. No. I think I said—

Senator WILLIAMS. I think you said you would agree if two or three things—but just on the basis of that conclusion, would you agree with or disagree with those recommendations that it be included or do you—

Mr. SURREY. At this time I would disagree with those recommendations.

The CHAIRMAN. I have just two or three other questions.

As I understand it, you do not think that State and local sales and excise taxes should be deducted from the Federal income tax.

Mr. SURREY. These are all questions that I was considering in the context of a broad tax reform, a reform that would involve a more uniform income tax base, coupled with a reduction in tax rates. In other words—

The CHAIRMAN. Is it your theory that there should be no exemptions, and everything should be taxed? Is that your idea?

Mr. SURREY. No, sir. I think the number of present deductions and exemptions should be reexamined to see if it would be feasible to have a more uniform tax base, and thereby achieve a reduction in tax rates in all of the brackets.

The CHAIRMAN. Would that apply to the \$800 exemption?

Mr. SURREY. No, sir; no, sir; it would not. The particular level of the exemption might be a question for discussion, but the—

The CHAIRMAN. As I understand it, you are opposed to deductions for any interest paid from taxes; is that correct?

Mr. SURREY. What I suggested was that these matters should be considered from the standpoint of an overall revision.

Now, an overall revision of the tax base would involve changes in the revenue rates as well as changes in the particular treatment of any particular deduction.

I think the question is whether, on balance, the tax system would be fairer, simpler, and more equitable if some of these deductions which are hard to apply administratively, and which differ from person to person could be eliminated.

The CHAIRMAN. Do you believe that social security benefits should be taxed?

Mr. SURREY. I said in those recommendations that I thought they should. The reason I thought so—

The CHAIRMAN. They should.

Mr. SURREY. Was that, by and large, most people who received social security benefits are today exempt from tax because of the double exemption for persons over 65.

The result is that the present exclusion of social security benefits tends to become important only as you go above the first and second brackets, and I think it is a question for the Congress, as they continue to increase social security benefits, whether they do desire that these benefits should be exempt or whether they should be treated the same way as other pension benefits are treated.

The CHAIRMAN. The same thing applies to unemployment benefits, I suppose?

Mr. SURREY. No. Unemployment benefits, you might, you could, regard on a different basis. They do not have the aspect of a pension that social security has.

The CHAIRMAN. Just one more question. You say:

It is clear that withholding on interest and dividends should be instituted, especially since workable withholding arrangements have been devised.

Would you indicate to the committee what workable arrangements have been devised?

Mr. SURREY. Well, I am presently engaged in an effort to consider which is the most feasible of arrangements with respect to withholding, and I am engaged in consultation with various outside groups that would be concerned with this. Consequently, I would like to let the details of any such recommendation—

The CHAIRMAN. When you said that, when did you make this statement that workable provisions have been devised?

Mr. SURREY. I made that, I think, in 1959, I am not sure.

The CHAIRMAN. I understood there have been considerable efforts along those lines but they have not yet been devised.

Mr. SURREY. Well, as I say, it is a matter of—

The CHAIRMAN. You are working on a plan now?

Mr. SURREY. We are seeing if the plans that have been suggested, the extent to which they are feasible, and I would say our preliminary indications are that a feasible plan could be devised.

The CHAIRMAN. For both interest and dividends?

Mr. SURREY. With respect to some types of interest, Mr. Chairman. I do not think you could work a feasible plan at this time with respect to all types of interest.

The CHAIRMAN. Now, on page 1231 of your statement before the Ways and Means Committee you suggest that consideration be given to taxing unrealized capital gains at death or when a gift is made.

Does this mean you believe it is desirable, to subject the estate of an individual who dies not only to an estate tax but to a capital gains tax for any increase in his property held at the time of his death over its cost?

Mr. SURREY. I would think any consideration of the subject of capital gains which, I think, is one of the most difficult subjects to consider, there would have to be taken into account not only the present treatment but also the treatment at death.

For example, a number of persons have suggested a rollover treatment for capital gains. If that were to be considered, I think you would have to consider along with it the question of the treatment of gain at death. In other words, these are, I think, facets of an overall capital gains treatment. I would not single out any particular one for change or consideration unless they all were considered together.

The CHAIRMAN. On page 828 you say that you would recommend:

A considerable narrowing of the scope of the capital gains tax and an increase in its rate, with increased allowance for capital losses.

Mr. SURREY. I said that in connection with a recommendation that the top bracket rates be reduced, as I recall, to 60 or 65 percent. Under those circumstances, with the yield from securities increased, then I think it might be appropriate to consider what should be the rate on capital gains. But it was not in the context of the present surtax rates.

The CHAIRMAN. Senator Kerr?

Senator KERR. I am very much interested in the statements I have seen accredited to you, Mr. Surrey, as well as the ones you have made here this morning.

I want to say that all information given me is to approve the designation of the appointment by a President; I might even be more so with reference to those by a man who is now President.

I do feel, however, that some questions are indicated.

I wish you would again state your position with reference to the application of some kind of income tax on the increased value of an estate of a deceased.

Mr. SURREY. The increased value of the assets?

Senator KERR. Yes, sir.

Mr. SURREY. As I recall, I did not make that recommendation. I said consideration should be given to that.

Senator KERR. What was the answer you just gave the chairman about the application of the capital gains tax?

Mr. SURREY. What I said was—

The CHAIRMAN. If you will pardon me, I will say it is on page 1231 of your statement before the Ways and Means Committee.

Mr. SURREY. Yes.

Senator KERR. You suggest that consideration be given to taxing unrealized capital gains at death or when the gift is made?

Mr. SURREY. As I recall, there were various recommendations made at that time.

Senator KERR. Just go a little slower and a little louder, will you?

Mr. SURREY. I said that, as I recall, there were a number of recommendations as to—

Senator KERR. I am just as much interested in your present attitude as I am in the attitude you had when the statement was made, and I would be happy for you, if there is a difference, to address yourself to your present attitude.

The CHAIRMAN. When was that statement made before the Ways and Means Committee?

Mr. SURREY. I think it was 1959. My present attitude would be that in any broad study of the tax system I would think capital gains would be one of the matters studied. It is one of the most difficult and most complex matters.

Senator KERR. I am addressing myself primarily to the consideration of taxing unrealized capital gains at death.

Mr. SURREY. Yes.

Senator ANDERSON. Or gift.

Senator KERR. Or gift, yes. I am not talking about the present capital gains rate because that is a reality, it is not a theory, and I am sure that in view of the fact that your statement was made in 1959 that we should indulge the presumption that you were addressing yourself on this subject with the rate then in effect in mind.

Mr. SURREY. No, no. That, I think, I did not make clear, sir. What I was—

Senator KERR. You would have to have had in mind considering taxing the unrealized gains in the estate of a decedent in addition to the inheritance tax.

Mr. SURREY. Except that I would suppose any tax at that time, if there were to be a tax, would be deducted, would be a deduction from the gross estate.

In other words, it would be reflected in the computation of the estate for estate tax purposes.

Senator KERR. Which one would you apply first, the estate tax or the capital gains tax?

Mr. SURREY. I would think the capital gains would be applied first.

Senator KERR. Well, now, assuming that it is 25 percent, as it is in the Federal law, and 4 or 5 percent in many States. That would be 30 percent, approximately.

Now, what is the range of the inheritance tax?

Mr. SURREY. Well, estate tax, I am not sure of the upper brackets—you would have to avoid a situation, I would think, that you would run over 100 percent with a deduction.

Senator KERR. You think that would be equitable? [Laughter.]

Mr. SURREY. With a deduction.

Senator KERR. You think it would be equitable to avoid that situation?

Mr. SURREY. Well, could I put the matter this way.

Senator KERR. You put it any way you want to, since you made that statement.

I would just like for you to tell the committee how close you would be in favor of coming to it and still avoiding it.

Mr. SURREY. You could put the matter, in a sense, this way: Supposing an individual did sell his securities.

Senator KERR. But this individual did not; he died.

Mr. SURREY. But supposing the person did sell his securities.

Senator KERR. Let us finish the line of questioning I have started with you, and then you can go on the other, if you would like. But I would regard it as courteous on your part and informative if you would just address yourself to the question.

Mr. SURREY. I will.

What I was trying to say is, one might initially approach the question from the standpoint of, should the person at death be treated in the same way as a person who sold his securities, and therefore became liable to pay the capital gains tax, and then, unfortunately, let us say, died the next day.

Senator KERR. I think the first thing you were supposing would be nearly as unfortunate as the reality.

Mr. SURREY. Yes; the question then would be the interaction of the capital gains tax and the estate tax.

Now, certainly the capital gains tax should be a deduction under those circumstances from the estate tax.

My impression is that would prevent the two taxes from going over 100 percent. If it did not, then some mechanism I presume would have to be worked out to prevent that result.

In addition—

Senator KERR. Not necessarily. The fellow is dead.

What if he were just going to take it all and then an additional liability, and I am sure his heirs, if they were able to, would take bankruptcy proceedings for his benefit.

Mr. SURREY. I would presume that the Congress, in setting a level of estate tax rates, would set them at the level it deemed appropriate in that light.

Senator KERR. Is it possible that maybe they did that in fixing the present rates?

Mr. SURREY. It is possible; I had not thought so.

Senator KERR. What level do you think they should be, Mr. Surrey?

Mr. SURREY. I beg pardon.

Senator KERR. What level do you think they should be amended to?

Mr. SURREY. That is a question I do not think I could answer now, for this reason, I think—

Senator KERR. Well, you evidently think they should be increased.

Mr. SURREY. No, sir; I have not said that yet. I have not said that.

Senator KERR. But that is the impression that I received from what you have said.

Mr. SURREY. No; I am sorry I gave you the wrong impression.

Senator KERR. Do you have the impression that they should be reduced?

Mr. SURREY. No, I do not. I have an impression that the base of the tax should be reconsidered before any changes are made in the rates.

Senator KERR. For the purpose of increasing or reducing the inheritance tax?

Mr. SURREY. For the purpose of making it impact more even as among families today in those brackets.

In other words—

Senator KERR. Well, it is even among families in similar brackets.

Senator WILLIAMS. Would the Senator yield if I might read exactly what he did say in that connection?

Senator ANDERSON. Yes, let us hear it.

Senator KERR. Yes.

Senator WILLIAMS. I have his exact quotation of his opinion on capital gains over here.

Senator KERR. All right.

Senator WILLIAMS. On pages 819 and 820 of that report you have, you say, and I quote:

An individual receiving income in the form of capital gains is given a clear preference under the present code—50 percent of the gain is in effect excluded entirely, and the maximum tax on the gain cannot exceed 25 percent of the entire gain.

So you must have felt it was too low and, therefore, if you felt there was given a clear preference under this, with a maximum tax of 25 percent, you must be in favor of increasing it or was that in your mind, or what did you mean?

Mr. SURREY. Well, I think I indicated to the chairman that in the consideration of a broad tax revision under which the top rates of tax were reduced considerably, then I thought consideration should be given to the level of the capital gain rates in that context.

Senator WILLIAMS. I heard you say that to the chairman. But in your statement you did not. I do not see that now. Here, reading a continuation of your statement:

Yet of all the income preferences the capital gain preference is the one which most clearly is the product of deliberate and considered congressional action.

Continuing, you say :

Congress has thus allowed its capital gain policy to get out of control and become enmeshed in lobbying pressures.

Mr. SURREY. I think that is, I think, a different issue. What I was trying to say there, and I realize that I have not made myself very clear—

Senator WILLIAMS. I thought it was very clear, and I would like for you to elaborate on it.

Senator ANDERSON. I understand it.

Mr. SURREY. What I meant to say was that given a very low rate of tax designed for reasons that are, I gather, in the interest of the economy, to have a differential rate in favor of capital gains, these are the reasons that have motivated the Government since the capital gains rate was given.

The difficulty is one of defining what is a real capital gain. As I recall, Congressman Mills asked us the question in the House Ways and Means Committee, could anybody give him a definition of a real capital gain, and there was nobody who, on the panel, did give him a definition.

Therefore, you do have the problem of classifying a number of transactions to see which transactions are entitled to this capital gains rate and which are not. That is what I meant when I said the problem, I thought, had gotten rather difficult since, for example, certain royalties are classified as capital gains, certain royalties are not classified as capital gains, and the classification is not in the nature of whether it is a real capital gain or not, but whether this rate should be given as a matter of treatment to this particular transaction, and that was the difficulty I was referring to there, not the question of the capital gains rate on, say, the sale of stock securities.

Senator WILLIAMS. I wish you would read your entire statement and see if you can find that explanation in there. I cannot, because it all comes back here that you feel Congress has thus allowed its capital gains policy to get out of control and to become enmeshed in lobbying pressures, and you are very emphatic in your statement that you think this is a preference for a particular group of taxpayers or a particular pressure group, and if you feel that it is, you must have some method of correcting it.

Mr. SURREY. No.

Senator WILLIAMS. What is your method of correcting it? Would you correct it by lowering the rates and giving them a greater benefit, or would you correct it by increasing the rates and reducing the benefits?

Mr. SURREY. I think the first step should be to decide which particular transactions should be classified as capital gains transactions. There are a number of transactions which are not the typical type of capital gains transactions.

After that classification has been made, then I think the next question to be considered is what should be the appropriate rate structure.

After that decision was made, then I think the decision should be made, what is the appropriate differential that the Congress desires between the upper rates of tax and the capital gains rate?

What is the nature of the holding period? In other words, how long should an asset be held? It is not a suggestion that the rates simply should be increased as matters stand today.

Senator KERR. Well, you said that:

I would recommend the following:

Two. A considerable narrowing of the scope of the capital gains tax and an increase in its rate, with increased allowance for capital losses.

Mr. SURREY. Yes. But isn't there another recommendation there, Senator, about the reduction of the surtax rates?

Senator KERR (reading):

What workable arrangements have been devised?

That is pages 828 to 830, and you say:

I would recommend the following:

One. Elimination of the exemption for the interest on State and local obligations.

We have talked about that.

Mr. SURREY. Yes.

Senator KERR (continuing):

No. 2. A considerable narrowing of the scope of the capital gains tax and an increase in its rate, with increased allowance for capital losses.

But if I can understand the English language, Mr. Surrey, and I am not in the posture of criticizing your conclusions nor approving them, I am just trying to get for my own information and this for the record what the facts are about your position, and if I can understand the English language you have recommended a considerable increase in the capital gains tax rates.

Mr. SURREY. But, Senator, as I recall, later on there is a specific—in that same set of goals, isn't there a specific—recommendation with respect to reduction of the surtax brackets, the rates in the top brackets?

Senator KERR. Well, you say reduction of the top rates to about 65 percent.

Mr. SURREY. Yes.

Senator KERR. But the point about that is that I did not see anything here in which you said that if all of these are not put into effect "I withdraw my recommendation of either one of them."

Mr. SURREY. Well, I am sorry, those were considered, and in the articles I have written those are tied together. In other words, these are interrelated goals, and the recommendation with respect to the capital gains is in the context of a reduction of the top rates to 65 percent.

Senator KERR. I do not see anything in there of a reduction of the top rate of the inheritance tax.

Mr. SURREY. No. There was nothing in there one way or the other on inheritance taxes.

Senator KERR. Then I would presume that your recommendation that the increase in value of capital assets or of an estate would be subject to whatever capital gains tax was effective in addition to the inheritance tax rates.

Mr. SURREY. No, because I have never recommended, I have never recommended in the same sense that you are reading these other recommendations, the taxation on increases in capital assets at death.

Senator KERR. I thought you had recommended both at death or gift, and also that at death the value of the estate then held by the deceased be increased by the amount of gifts which had been given, and that any difference in the tax rate on gifts as given be made up for as those gifts were a part of the estate, part of his assets at the time of death.

Mr. SURREY. That was not a recommendation.

Senator KERR. What was it?

Mr. SURREY. That was a statement that in a study of the capital gains tax, consideration should be given to that factor.

Senator KERR. Why would you say it should be considered if you did not think it had merit, Mr. Surrey?

Mr. SURREY. No, because I wanted to—

Senator KERR. Why would you consider that—why would you recommend it be considered if you did not think it had merit?

Mr. SURREY. Well, I think there is a difference between saying a matter should be considered—

Senator KERR. Well, give me the difference.

Mr. SURREY. The difference is that one has a firmer belief in one's views on a matter when one makes a recommendation.

When one says a matter should be considered, one wants to know all the implications of the consideration and pro and con.

With respect to that matter one wants to know what are the implications, what are its relations to the inheritance tax, what are its effects on the length of time over which people hold assets; in other words, if there is, one might say, a locked-in effect with respect to the sale of assets, is the locked-in effect due to the capital gains rate or is it due to the fact that there is this nontaxation at death; and one would like to try to find out the answer to that.

Senator KERR. How could you find out from a dead man what his reasons were?

Mr. SURREY. I would not go and ask the dead man, obviously.

Senator KERR. How—

Mr. SURREY. How would I do it?

Senator KERR. How are you going to go about questioning and finding out what is the consideration for keeping property after death, except that you get it from the man who did it.

Mr. SURREY. No—

Senator KERR. That reminds me of the story about the fellow who proposed to the gal, and she didn't give him a definite answer. She said, "Go ask father."

And he was trying to get some comfort out of that until he realized that father was dead. And then when it dawned on him the life that father had led, he finally figured out what she meant when she said, "Go ask father." [Laughter.]

Mr. SURREY. No, in this connection I attempted to find out, even as a professor, and what I did was to go to some of the investment counseling houses in Boston and ask them, When you give advice to people as to whether they should sell a security or not—

Senator KERR. Before he died.

Mr. SURREY. Yes, at any time.

Senator KERR. But, you see, how did a man know?

Mr. SURREY. No, what I am saying is this: I tried to find out from the investment counseling houses when they make recommendations to their clients that assets should be sold or not, what is the reaction of the client with respect to the capital gains tax and with respect to this other point. In other words, it is difficult to get information on this, and I think the question that is important in this study of capital gains is to what extent the taxation of a capital gain has the effect of locking people into their investments.

Senator ANDERSON. You do not think you have to go to an investment house to find that out, do you?

Mr. SURREY. No. I do not think it is the only place one would go.

Well, curiously enough, Senator, the answer I got from the investment houses was that the capital gains tax did not have an appreciable effect.

Senator ANDERSON. Well, you should have given him a lie detector test. [Laughter.]

Mr. SURREY. No. That was the answer I got, and I was not prejudging the matter. I was trying to find out.

Senator ANDERSON. Excuse me, I do not mean that is the final result, but anyone who will tell you that a man who has got enough money to buy a security has not got any interest to find out, when he sells it, whether it is affected by capital gains or not, has not got any imagination.

Mr. SURREY. It was not that question, but the effect of stretching out the capital gains tax by and large, did their clients accept the recommendation for the sale of the security as a proper financial transaction; in other words, if an investment house were to say, "We don't think you should be in this particular security because its long-range prospects are not good, you should get out of this and get into another security," I was very curious as to what the reactions of their clients were when that was presented to them, and also the effect of paying a capital gains tax was presented to them, would the clients take the judgments of the investment counseling house to which they were paying money for that judgment, or would they be inhibited by the capital gains tax.

The conclusion of the several houses that I talked to was that the client took their advice to sell, and under those circumstances—

Senator WILLIAMS. Would that not be due to the fact thought that the company which they were advised to get out of, as the result of bad management or moving backward, that there would not be too much capital gains in that case?

Mr. SURREY. No, I do not think it is that serious a matter. In other words, this is a constant review of a person's portfolio, and as to where he should be at any given time, extracting the capital gains decision.

Now, on the other hand, some people would take into account the capital gains tax and, obviously, it is difficult to make generalizations on this matter.

Senator ANDERSON. I would only say that I had some advice on a security very recently, and probably the investment house was right, when I figured the capital gains on it, I figured it was not going to slump more than 25 percent, so I kept it.

Mr. SURREY. I say it is hard to generalize, and some people will take it into account. Others will—some will react the way you did;

others will react in the sense that ultimately "I may well have to pay a capital gains tax and hence I am buying a larger basis if I am selling the security at this time."

Senator ANDERSON. I am sorry, Senator.

Senator BUTLER. Are you finished, sir?

Senator KERR. No.

Senator BUTLER. I am sorry.

Senator KERR. I must say, Mr. Surrey, in the absence of a more definite statement I have understood you to make this morning, I would have no choice other than to arrive at the conclusion that you, No. 1, favor a considerable increase in capital gains tax rate, and that you think it should be seriously considered by the Congress as to whether or not it should not subject the estate of the decedent or the gifts of the decedent to a capital gains tax in addition to the estate tax.

Mr. SURREY. Could I say that the first recommendation would not be made in the absence of reduction in surtax rates. The second is a consideration and not a recommendation. It is merely a statement—

Senator KERR. I said the second was that you recommended a consideration of the advisability of doing that.

Mr. SURREY. Let me indicate, not to foreclose all possible reexaminations of this subject. For example, one change that is seriously suggested by a number of persons is that there be a so-called rollover provision under which you do not pay it all during your lifetime on the sale of the securities.

Senator KERR. I am addressing myself both to what a man would pay during his lifetime, if he had his capital gains tax rates increased, and what his estate tax would be if the capital gains treatment were applied to the increase in value of his estate before the fixing of the tax rates for the estate of the deceased.

Mr. SURREY. But suppose, Senator, there were a proposal that there be no capital gains tax as long as a person changed from one investment to another.

Senator KERR. I had not heard you recommend that yet.

Mr. SURREY. No, I have not recommended it.

Senator KERR. Oh.

Mr. SURREY. What I am saying is—

Senator KERR. I cannot support a thing generally, Mr. Surrey. As I try to focus my limited mental faculties to the consideration before me, I cannot suppose things that, so far as I know, have not occurred and which, in the absence of your enlightening me, are not a part of your basic recommendations, and I do not think that it should be expected that we should suppose things which were not before us.

Mr. SURREY. I appreciate that. All I was trying to indicate is that I think that is one facet, one of the most difficult facets, I would agree and, therefore, I did not make a recommendation on it.

Senator KERR. What do you think the function is of the Treasury Department in tax legislation?

Mr. SURREY. I think its function is to advise the President, and then—initially, and then—to advise the Congress.

Senator KERR. Advise the Congress or recommend to the Congress or press the Congress or inform them?

Mr. SURREY. I would suppose initially its function is that if the President makes a recommendation to the Congress in the tax field, the function of the Treasury Department would be to support those recommendations; at the same time, to give advice as objectively as it can to the Congress with respect to any matter on which the Congress asks for its advice.

Senator KERR. You see, what you said on page 1182 of that record there is suggesting that the executive branch take affirmative action to attack the problem through a strong program lead by the President or the Secretary of the Treasury "designed to focus public consideration on special provisions and their interaction with the rate structure."

From what you say there, and then from what you have said, and I must say to you that I am familiar with only a very limited part of what you have said, but what you have said in these recommendations and to this committee, I can arrive at no other conclusion than that you feel that the President or the Secretary of the Treasury should take action to attack this problem through a strong program to implement what you have said, and what you have told us is your convictions, since you are in the posture of making the advice on this matter to the Secretary of the Treasury and, through him, to the President.

Mr. SURREY. No, I think there is a grouping together of two matters there.

Senator KERR. But you say that the executive branch should take affirmative action to attack the problem through a strong program lead by the Secretary of the Treasury, and I take it that you mean in the matter of curing these ill-advised actions which have been taken by the Congress, and other matters that you feel should be the basic concept of tax law.

Mr. SURREY. No.

Senator KERR. What kind of a program should he be addressing himself to that he gets out to educate the public on?

Mr. SURREY. I would not use the words "ill advised."

Senator KERR. Well, I thought that is what you did say, poorly considered or lack of consideration or without adequate disclosure of what they were doing.

Mr. SURREY. I think everybody has an interest in the Congress and in the Executive, and outside the Government in tax reform.

Senator KERR. It seems to me that you fail to indulge the presumption that the people are aware of that interest when they elect their Members to the Congress.

Mr. SURREY. Well, I was going to—for example, the House Ways and Means Committee held hearings on a program of tax revision. I would suppose those hearings were held because the committee desired to have information on the point and because some members of the committee thought it might be appropriate to have a broad reexamination of the tax structure.

Now, my general impression was that those hearings held by the House Ways and Means Committee received a great deal of support from all quarters, with the feeling that the tax system is in need of reexamination. The rates are too high in the upper brackets, the base has a lot of preferences and discriminations, many of which are

historical and may have outgrown the original reasons for which they were adopted.

It has become overly complex and difficult to apply, and that there is a general public interest in the reexamination of the tax structure.

Senator KERR. If there is one thing that I indulge the presumption in that is that the people know about the taxes they pay. Would you agree with that?

Mr. SURREY. You mean they know the particular tax they pay?

Senator KERR. Yes.

Mr. SURREY. Yes.

Senator KERR. If there is any one thing—you yourself said that pressures on tax matters are the strongest, in your judgment, of any that are on the Congress. Now that is what I believe to be an accurate statement, at least relatively. There are times when I could not differentiate between the pressures on that and some other pressures, but certainly I am aware of the fact that since they pay their taxes every year or go through the mental agony of trying to flee from it, they are aware of what they are doing in that regard. That is fact No. 1.

No. 2, they know that those taxes are fixed by the Congress. They elect their Congress Members—to the House of Representatives every 2 years, their Members to the Senate every 6—well, they have elections every 2 years in that regard, at which time one-third, plus those filling unexpired vacancies in the Senate, come before them.

So that I indulge the presumption that the matter of the election of their Representatives in the Nation's Congress is one of the things that the people are very aware of, and as they do it they are aware of the fact that when they do elect those Representatives they elect the men and women who are going to fix their tax rates.

So I am of the opinion that anybody who thinks that the people need to be the beneficiaries of or the recipients of a strong program to enlighten them on what they are doing in the matter of paying taxes fails to give the people credit for that degree of understanding and knowledge and realization that I think they have to a very high degree.

Mr. SURREY. Well, I think I could agree with that. But I think that I could also say that I do not think our tax system is any more static than any other aspect of Government. There is continual re-examination of legislation in a number of fields.

Senator KERR. What I am telling you is, I agree with you and I think the people examine it, and I think they express themselves on it every 2 years.

Mr. SURREY. Yes, and I gather that the Executive also has a responsibility in this area.

Senator KERR. He has no responsibility to levy taxes.

Mr. SURREY. He may have responsibility to make recommendations.

Senator KERR. Oh, yes; and the people know that when they elect him.

Mr. SURREY. All I think I said was on the part you were addressing yourself to, is that the executive branch has the responsibility of making recommendations and working cooperatively with the Congress.

Senator KERR. I did not see that in here. I really did not, and if it is here, and I have not been apprised of it, I would appreciate that.

Mr. SURREY. I think it is. It is obvious that the two branches have to work cooperatively.

Senator KERR. I was just reading the language that I quoted to you, that the executive branch take an affirmative action to attack the problem through a strong program led by the President or the Secretary of the Treasury.

Mr. SURREY. Which program, obviously, has to be considered by the Congress.

Senator KERR. Do you think that constituents should be permitted to petition the Congress?

Mr. SURREY. I beg pardon, sir?

Senator KERR. Do you think people or constituents should be permitted to petition the Congress?

Mr. SURREY. Yes, I think it is a constitutional provision.

Senator KERR. Do you think that they should be held—do you think that that privilege should be safeguarded to them in the future?

Mr. SURREY. Yes, sir.

Senator KERR. You think that includes tax matters?

Mr. SURREY. Yes, sir.

Senator KERR. To whom do you think their petitions should be addressed?

Mr. SURREY. Their petitions, to the Congress?

Senator KERR. Their petitions on tax matters.

Mr. SURREY. I would suppose, I think the Constitution says, the right to petition Congress.

Senator KERR. But I am talking now about aside from that constitutional provision; to whom do you think that the taxpayer's petition on tax matters should be addressed?

Mr. SURREY. Well, I suppose in a number of cases they will address it to the Congress, a number will address it to the President, a number will address it to the Secretary of the Treasury; that is, the mail that comes in is probably not as heavy as your mail, though, I would think, on these matters. I think most of them probably address it to the Congress.

Senator KERR. Suppose they do address it to the Congress. What do you think the attitude of a Member of Congress should be about such petition?

Mr. SURREY. You mean a petition suggesting a particular change?

Senator KERR. Well, whatever the petition is. He might petition the Congress not to change. What should a Member of Congress, what should his reaction be to a petition thus given him by his constituents?

Mr. SURREY. Well, that is a little difficult for me to answer. I would presume that he would ask, if it was a matter he was not familiar with firsthand, he would attempt to gain information on the subject from the available sources.

Senator KERR. I mean, should he look with favor on it, or should he automatically react unfavorably, or what would you do if you were in the House of Representatives or the Senate and your constituents petitioned you about a tax matter, either for it or against it?

Mr. SURREY. I think I would do the same thing I do now. I would try to find out what the problem is.

Senator KERR. In other words, if a patient comes to you and you were a doctor, and he told you what his trouble was, would you spend

your time trying to alleviate his trouble or trying to find out what it was?

Mr. SURREY. I would attempt to see what his trouble is and then I would attempt—

Senator KERR. Suppose you found out what it was?

Mr. SURREY (continuing). Then I would attempt to also consider, assuming that the possible cures for his trouble, what they are—and I do not think this is a question analogous to the doctor-patient; I do not think that is—

Senator KERR. Well, go back to the Congressman and his constituent.

I could not get an answer out of you on that. Suppose they bring a tax matter to a Member of the Congress and the Member understands what it is. What should be his attitude toward their petition after he has found out what it is?

Mr. SURREY. I think he then has to balance the particular problem of that constituent in the light of the broader problems of public interest involved.

For example, if it is—

Senator KERR. Those that come to you are part of the public, you know.

Mr. SURREY. Yes.

But, for example, if the question is whether there should be an overall reduction in taxes because he thinks his tax burden is too high, I would presume that you would balance that complaint, if you want to use the term, with the question of what are the revenues necessary to meet the expenditures of Government, and you might conclude that in that particular case he would have to bear the burden even though he thought it might be heavy.

Senator KERR. What do you think Congress attitude ought to be, to tax as much as possible or as little as possible?

Mr. SURREY. No. I think, in large part, in large part, let me repeat, maybe for the most part, initially the revenue needs of the Government are related to the expenditures of the Government, and that the tax system has to provide adequate revenues to meet the expenditures of Government.

That sets—in a sense, that is the demand placed upon the tax system. Beyond that, the system has to take account of economic growth and economic stability within the country.

Senator KERR. You know, Mr. Surrey, I do not believe that you have given me a definite answer to a single question I have asked you.

Mr. SURREY. I am sorry, sir, because I have been trying to give you definite answers.

Senator KERR. I asked you if you thought the Government ought to tax as much as it could or as little as it could.

Mr. SURREY. If you say as much as it could or as little as it could, you may have built in what it can do. I am saying I think initially Government has to meet its obligations.

Senator KERR. Well. Government makes its obligations.

Mr. SURREY. That is right. But Government makes its obligations on the expenditure side.

Senator KERR. And it just might be that in making obligations it could consider that it had the obligation to extract as little of the people's property from them as it could.

Mr. SURREY. If that were the goal of Government, then I would presume our expenditures would be far less.

Senator KERR. What do you think is the goal of Government? That is what I am trying to find out.

Mr. SURREY. The goal of Government in the revenue system, in the revenue system, is to have a system strong enough to meet the demands placed upon it by Government expenditures.

Senator KERR. Well, the same people who make Government appropriations, levy taxes, the same Congress that sets the level of expenditures fixes the tax rates.

Mr. SURREY. Then it is a balancing of those—it is obviously a balancing of those—considerations.

Senator KERR. What I was trying to ask you is, which should have the primary consideration and concern of the Congress, handling Government on the basis of with as little resort to taxation as it can in the light of its responsibility, or as much as it can?

Mr. SURREY. As much as it can implies that throughout—or we know the limits of taxable capacity.

Senator KERR. I thought I did until I heard you today, and you have begun to tell me about taxing a man's estate for more than 100 percent.

Mr. SURREY. For example, I would suppose in wartime, in times of crisis or emergencies, our tax system has gone up much higher than it is today.

Now, that was a demand placed upon the tax system to which the tax system responded.

It is not a demand placed upon the tax system today. It may be our rates of tax are too high today for sustained economic growth. In that sense we are, although we are taxing today at the present level, and in that sense we could tax that much, it may be inadvisable to tax that much in the interests of long-range economic growth, and that our tax system at full employment might generate greater surpluses than are desirable.

Consequently, under those circumstances, the tax system ought to be reduced, even though, in a sense, one could say the people could bear this level of taxes since they are hearing it today. But it does not necessarily follow that it is appropriate that they bear it.

Senator KERR. You talked about great pressures brought to bear on Congress by the people. Do you think that is unwholesome?

Mr. SURREY. No, I do not think, in the large, it is unwholesome. I think it is proper for people to make their views known to the Congress.

Senator KERR. Is it not inevitable that the more Congress presses the people in the form of taxes, the more the people are going to react and press the Congress to give them some relief?

Mr. SURREY. I think as our tax system has grown and developed and applied to much lower brackets, and as the rates have risen, it has obviously made more important each particular provision as it applies to each person and, consequently, the demands upon the Congress for examination of each particular provision have grown greatly.

It is inevitable under a complex system in a complex country.

Senator KERR. Don't you think it is more inevitable that people are

going to press back even than it is that Congress is going to press them further for more taxes?

Mr. SURREY. I think—

Senator KERR. You see, to the Congressman, aside from what he pays himself, it is an administrative operation. To the constituent it is a little different.

There is a little difference between the one who levies the taxes and the one who pays them, and my observation has been that it is a little less painful to levy taxes than it is to pay them.

Mr. SURREY. Well, I think we are all in that experience.

Senator KERR. Then wouldn't it be inevitable that pressure coming back from the people to Congress is going to be even greater than the pressure on the Congress to tax the people?

Mr. SURREY. I suppose it is equally inevitable, and this committee, for example, cannot enact every bit of legislation that is before it in the tax field.

Senator KERR. You see, instead of answering my question, you take off in another direction.

Mr. SURREY. No. I think there is enormous pressure in this area as a result of the rates of tax, the complexity of the tax system.

Senator KERR. You have talked here this morning as if you thought it were unwholesome for constituents to put pressure on their Congress about what to do about taxes.

Mr. SURREY. No, I do not think so.

Senator KERR. What I would like for you to do is to tell me how you could expect anything else in a democracy?

Mr. SURREY. It does put a strain on the tax system.

Senator KERR. It might be a source of strength on the part of your constituents.

Mr. SURREY. In the sense of strengthening your hand, rather than straining it.

Senator KERR. I want to tell you now that it is a little more easy in handling this job to do what they ask you to do than to try to keep them from what they want to do. That is where the strain comes from.

Mr. SURREY. If they were all unanimous, it would be easy.

Senator KERR. I did not say that. You see, that is an additional element that you inject in it.

Mr. SURREY. I mean my general impression is, for example, if all the suggestions that were made to this committee were adopted, it would be a rather interesting tax system.

Senator KERR. It is interesting as it is now, without having implemented all of them. [Laughter.]

It has developed to a fairly interesting stage as it is. That is the reason I have a great deal of concern about the abundance of suggestions as to how it should be increased and added to our problem.

Mr. SURREY. Well, I would have thought that the goal would be a reexamination of the tax system to see how it could be improved and altered so that any unfairnesses or difficult pressures could be eliminated.

Senator KERR. The people in my State are interested in any reappraisal of the tax structure that would reduce it. They are not remotely interested in any reappraisal of it for the purpose of broadening it and increasing it.

Mr. SURREY. I agree, and I have not said that.

Senator KERR. Then I misunderstood; honestly, I have.

Mr. SURREY. I have not said increasing taxes. I have said there should be a reappraisal in the light of the rate structure and the recommendations involving a reduction of rates were part of that appraisal—

Senator KERR. The only rate you have talked about reducing was that 90 percent down to 65, and that leaves the majority of the folks unaffected.

Mr. SURREY. There is also a recommendation consistent with revenue needs—the other rates should be reduced, too. In other words, a reexamination of the tax structure might make available opportunities to reduce the rates in all brackets in the light of the needs of the Government at that time, and I would have the hope that that could be accomplished.

Senator KERR. That is all, Mr. Chairman.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Surrey, I would like to summarize just two or three points that have been raised, to make sure I understand them correctly, and I will make them brief.

No. 1, I understand you have said you think we should repeal the present exemption on social security benefits; is that correct?

Mr. SURREY. Yes, I made that recommendation.

Senator CURTIS. Would the distinguished Senator yield right on that point?

Senator WILLIAMS. Yes.

Senator CURTIS. How are you going to repeal something that has never been enacted?

Mr. SURREY. You are quite correct.

Senator CURTIS. That was by Executive order, was it not?

Senator WILLIAMS. I will put my question this way, then:

Do you think Congress should enact a law which should tax social security benefits? I will put it in the affirmative. Do you think they should?

Mr. SURREY. My recommendation was that at that time this Congress should make social security benefits includible in income. I presume along as any other pensions are included.

Senator WILLIAMS. Now, that same recommendation would be that Congress should tax the railroad retirement benefits, too; is that correct?

Mr. SURREY. Yes, I would suppose they go together.

Senator WILLIAMS. Yes.

Now, in connection with the capital gains treatment, it is my understanding that your recommendation was that Congress should give consideration to taxing capital gains upon death prior to the computation of inheritance taxes, and also in giving consideration to an increase in existing capital gains rates was contingent upon an accompanying reduction in the surtax rates from 90 percent down to 65 percent; is that correct?

Mr. SURREY. Any change in the capital gains rates is linked up with the reduction in the top surtax rate.

Senator WILLIAMS. Down to 65 percent?

Mr. SURREY. I would not want to be held to 65. It might be 60.

Senator WILLIAMS. Well, 60 or 65 percent.

Mr. SURREY. Yes, a substantial reduction in those rates.

Senator WILLIAMS. Yes.

Now, in line with the questions of the Senator from Oklahoma, what benefit would that do? Assuming we enacted that to all of the millions of taxpayers who were presently below the 60- or 60-percent rate, you will agree that that would mean an increase, with no corresponding benefit, is that not true, under the basis of the argument you just made?

Mr. SURREY. It would, yes. But I would think——

Senator WILLIAMS. I mean, is the answer to that question "Yes?"

Mr. SURREY. It would be no benefit to those persons.

Senator WILLIAMS. Under your planned reduction of a surtax rate that this increase in capital gains rate or the taxing of capital gains upon death, as you are planning, being made contingent upon a reduction in the surtax rate to 60 or 65 percent, and assuming that recommendation was carried out, it would give benefit only to those in excess—who are paying taxes in excess—of 60 or 65 percent, and the millions of taxpayers who were below the 60- or 65-percent rate would have the increase without any offsetting compensation; is that not true?

Mr. SURREY. That is true. May I just add the statement, Senator——

Senator WILLIAMS. Yes.

Mr. SURREY (continuing). That I would think if the top rates were reduced to 65 percent, inevitably that would require a reexamination of the progressiveness of the rate structure with respect to the brackets below.

Senator WILLIAMS. Yes. But those below the 60 would get a reexamination, and those above it would get the reduction, and there would be nothing except reexamination. [Laughter.]

Mr. SURREY. I would not be——

Senator WILLIAMS. You will agree with me that there is not much relief, tax relief, in an examination?

Mr. SURREY. If the examination went no further than examination.

Senator WILLIAMS. Yes.

Now, one further thing:

Did you make any recommendations in connection with a reduction or an increase in the present exemption of \$600?

Mr. SURREY. No, sir; I had assumed there would be under our system a minimum exemption, whether it is \$600, more——

Senator WILLIAMS. You made no recommendation in that connection?

Mr. SURREY. No, sir.

Senator WILLIAMS. In recommending that social security benefits and railroad retirement benefits be taxed, did you recommend repeal of the existing \$1,200 exemption which those over 65 get? Do you think that is an advantage over and above other taxpayers, or would you recommend a continuation of that?

Mr. SURREY. At the time I made those recommendations, I did not recommend a change in that additional \$600 of exemption for those over age 65, which would give them \$1,200. It was in that context that that recommendation with respect to social security changes was made because the result is that the change in social security would not place

very many people in any different position than they are today, in view of that double exemption.

Senator WILLIAMS. Now, in connection with life insurance, I find before the Ways and Means Committee you made this statement:

Individuals who invest in life insurance receive preferential tax treatment in that they are not currently taxed on the interest accumulations earned by their policies, and, since the proceeds of the insurance are not taxable income at death, the interest goes untaxed.

Do you recommend that the proceeds of life insurance policies should be taxed at death or what changes would you make in your recommendation?

Mr. SURREY. I have not made that recommendation.

Senator WILLIAMS. What recommendation did you have in mind that there should be a change in existing laws as it relates to that?

Mr. SURREY. As I recall, I had no specific recommendation on that point.

Senator WILLIAMS. What did you have in mind when you said that they received preferential treatment under existing laws?

Mr. SURREY. Well, in the sense that the interest accumulations on life insurance are not taxed, whereas the interest accumulations on other savings are taxed.

Senator WILLIAMS. And you recommend that they should be taxed now?

Mr. SURREY. I think it is a matter that should be considered. I have not made a positive recommendation on it because it is one I have not studied fully.

Senator WILLIAMS. Well then, how did you arrive at the decision that under existing laws they receive preferential tax treatment if you had not arrived at any opinion?

Mr. SURREY. Well—

Senator WILLIAMS. You must have had some opinion or you could not have said that they received preferential tax treatment.

Mr. SURREY. I think there is a difference, Senator, between saying that this particular item, this particular saving, is treated differently from another saving. Now, whether there should be a change made or not is a separate question.

One is to just see what the system is, the next is to see whether or not any changes should be made on it.

I think it is proper to point out that if you do invest in life insurance, and constantly this was pointed out by any number of the publications in the tax field on how to save taxes, one of the points is that you invest in life insurance, and you do save taxes.

Now, whether it is—that might be an existing situation, and it might be very desirable, on the other hand, in view of the interest, overriding interest, in life insurance to continue that particular provision.

Senator WILLIAMS. Now, in order to close this question out, on one which there could be no controversy, and I am sure we could all be in complete agreement, would you state to the committee your position on depletion allowance and your recommendations.

Mr. SURREY. On that I said that there should be study of the percentage depletion and other tax treatments of natural resources.

Senator WILLIAMS. I think the President said a study; if I recall correctly, you said there should be a reduction.

Mr. SURREY. No, sir; I have not.

Senator WILLIAMS. Have you ever advocated a reduction of depletion allowance?

Mr. SURREY. That, I mean that, is difficult to say "Never." My 1959 statement, which was, I guess, the latest statement, said only there should be a study of the percentage of natural resource depletion.

Senator WILLIAMS. How, in your statements prior to that, did you state—is it not true that you have recommended that this should be reduced, that it constitutes preferential treatment?

Mr. SURREY. I frankly, Senator, do not recall one way or the other on that. I find that a person writes a good deal, and some of it passes out of his recollection. But the time when I considered the matter in 1959 I said there should be study of the matter.

Senator WILLIAMS. And you have no recollection of ever having recommended a reduction or stating that it was a preferential tax treatment in that connection?

Mr. SURREY. There is nothing in my mind that stands out one way or the other on that, either yes or no.

Senator WILLIAMS. At the moment I will pass.

The CHAIRMAN. Is it the pleasure of the committee to continue or to recess?

Senator BENNETT. Mr. Chairman, I would like to talk to the witness for about 10 or 15 minutes.

The CHAIRMAN. I suggest that we recess until 2:30.

Senator TALMADGE. Mr. Chairman, what was the determination of the Chair?

The CHAIRMAN. Is it the pleasure of the committee that we should continue for another 30 minutes?

Mr. SURREY. I will try to make my answers briefer, Senator.

The CHAIRMAN. We will adjourn until tomorrow morning at 10 o'clock.

(Whereupon, at 12:30 p.m., the committee was adjourned, to reconvene at 10:25 a.m. on Thursday, March 23, 1961.)

NOMINATIONS OF JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE; ROBERT HUNTINGTON KNIGHT, GENERAL COUNSEL FOR THE TREASURY-DESIGNATE; BOISFEUILLET JONES, SPECIAL ASSISTANT ON HEALTH AND MEDICAL AFFAIRS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE; THOMAS D'ALESSANDRO, JR., MEMBER, RENEGOTIATION BOARD-DESIGNATE; AND WILBUR J. COHEN, ASSISTANT SECRETARY OF HEALTH, EDUCATION, AND WELFARE-DESIGNATE

THURSDAY, MARCH 23, 1961

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.**

The committee met, pursuant to recess, at 10:25 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Long, Anderson, Douglas, Talmadge, Hartke, Williams, Carlson, Bennett, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Mr. Surrey, will you come forward, sir?

Senator Long, have you got any questions?

Senator LONG. No, Mr. Chairman.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Surrey, our associations on tax problems, I think, go back to some of the days when we served together, at least I happened to be a member of the House Ways and Means Committee during a time that you were in service in the Treasury Department, I believe?

STATEMENT OF STANLEY S. SURREY, NOMINEE TO BE ASSISTANT SECRETARY OF THE TREASURY—Resumed

Mr. SURREY. Yes, sir.

Senator CARLSON. And we had many discussions, and I think I would be less than frank if I did not state that while we did not always agree on some of the tax proposals that came up from the Treas-

ury at that time, I would want the record to show that you did present the Treasury viewpoint in a very outstanding fashion, and supported the position of the Treasury.

May I inquire—let's see—you were in the Treasury in 1937 to 1947. Who was the Secretary of the Treasury or were the Secretaries of Treasury?

Mr. SURREY. Secretary Morgenthau, Secretary Vinson, Secretary Snyder.

Senator CARLSON. They were the three Secretaries?

Mr. SURREY. Three Secretaries.

Senator CARLSON. That you were serving under during that period?

Mr. SURREY. Yes, sir.

Senator CARLSON. Previous to that time you, I believe, were with the National Labor Relations Board or—

Mr. SURREY. Yes sir; with the National Labor Relations Board; and prior to that time with the National Recovery Administration.

Senator CARLSON. Who was the head official in the National Recovery Administration at that time?

Mr. SURREY. National Recovery Administration?

Senator CARLSON. Yes.

Senator BENNETT. Johnson. J-o-h-n-s-o-n.

Mr. SURREY. Hugh Johnson.

Senator CARLSON. Hugh Johnson. In other words, those were the days of Harry Hopkins and Henry Wallace and many others; is that about right?

Mr. SURREY. Far removed from me. I was just a young lawyer.

Senator ANDERSON. Don't confine it to Harry Hopkins. Lyndon Johnson and I were the National Youth Administrators; get the whole picture.

Senator DOUGLAS. I was very proud to support that group, I may say, also.

Senator CARLSON. I will say to the Senator from Illinois that I served through that period, and I had the privilege of observing the operations of the entire organization.

So at that time you were in the Treasury, and I believe we had before the Congress at that time legislation which provided for the current collection of income taxes?

Mr. SURREY. Yes, sir.

Senator CARLSON. I believe that was during the time of Mr. Vinson as Secretary of the Treasury.

Mr. SURREY. Yes, sir; and I believe earlier under Secretary Morgenthau during World War II.

Senator CARLSON. At that time I believe the Treasury was opposed to the working out of a program of collecting income taxes currently; am I correct in that?

Mr. SURREY. I think the history on that was sort of a bit tangled up. If I can recall it all, the Treasury was in favor of withholding on wages and salaries, and other groups wanted to go ahead on current collection on an estimated basis, and the Treasury finally came around to that point of view.

Senator CARLSON. As a matter of fact, I took a rather personal interest in it myself, and had something to do with trying to get the legislation through the House, and I shall never forget, and I want

the record to show this, that Mr. Vinson, who was opposed to it at that time, had to come back before our committee about 2 years later, I believe, and I had the privilege of asking him what the effect of it had been as far as tax collections were concerned, and I think the record will show that the making of tax collections current had brought in at least \$5 billion additional taxes.

Now, in view of the situation that has taken place since, do you believe we could have operated the Government with the present great tax take without having current tax collections?

Mr. SURREY. No, sir; I think your position was thoroughly sound.

Senator CARLSON. I wanted to bring it out because the Treasury at that time, we did have some problems with it, and you were in there at that particular time.

The Congressional Quarterly mentions the fact that President Kennedy had employed 29 task forces, and were you chairman of the one that dealt with taxation or a member of it?

Mr. SURREY. I was the chairman, sir.

Senator CARLSON. The chairman of the task force committee.

I notice this same article states that an average of 1 person for each of the 29 task forces received an appointment to an important policy-making post within the new administration. Now you have received the appointment. Is this a reward for writing that tax report?

Mr. SURREY. I do not think I can speculate on that at all. I just—

Senator CARLSON. Are there other members of the committee who served on the committee on taxation who have received appointments?

Mr. SURREY. Professor Caplin was a member of the committee and he is now Commissioner of Internal Revenue.

Senator CARLSON. We will give him credit for getting the appointment then. I wanted to mention it because I am sure you have gathered from the questioning before this committee that there is great concern and great interest in the report that you submitted to President Kennedy, and I think—I do not know whether it has been mentioned, but I think—it is generally known that this committee has requested to see this report, and I am not criticizing you for not submitting the report, at all, but I would say, very frankly, that I believe in your interests and in the interests of the country, that report should be made available.

In other words, I, knowing you as a good friend of mine, as I do, I think it would, from your standpoint, would have been fortunate if it had been released or, at least, submitted to the committee.

That is one of the reasons, in my opinion, why we are so concerned, and we are asking these questions, because they are going to be very important when it comes to arriving at the tax policy and submitting them to the Congress and to the country.

In this task force report that you submitted, did you go into tax problems of the aged, for instance?

Mr. SURREY. Senator, this does put me in a difficult position because, as I say, this was a confidential report, and it is the President's responsibility, and I suppose his position might be that if every report he gets must be disclosed it may make it difficult for him, the President-elect, or any President-elect, to obtain information.

Senator CARLSON. Mr. Surrey, I certainly do not want to embarrass you. I did not want to put you on the spot. But the members of this committee do have some responsibility when it comes to writing tax legislation. I think we are entitled to at least get some knowledge, at least some background, which we do have, based upon what you have written in the past as to what we might expect in the way of recommendations when it comes to taxation of income taxes, taxes on cooperatives, taxes on depletion, taxes on capital gains, and that is the basis, I notice, for these questions.

Now, of course, you have written many articles, and I think someone said, "Oh, that I had not written a book."

Senator ANDERSON. "Oh, that mine enemy had written a book."

Senator CARLSON. "Oh, that mine enemy would write a book."

I wanted to get it right, and I shall not dwell on it at any great length, but you did write an article in Collier's magazine, March 30, 1956, and I read it previously and I have reread it again, in which you discuss income tax exemptions.

The heading is "Do Income Tax Exemptions Make Sense?"

I was particularly impressed with some of the sections, and I am not going to go into detail in regard to several of them, but in regard to tax exemptions for elderly couples, for instance, you made some interesting suggestions.

For instance, I am going to read a sentence from this article, found on page 28:

What of the young married couple with a salary of \$6,100 a year? Their \$6,100 buys no more than that of the elderly couple. Yet the young couple must give \$864 of their \$6,100 to the Government.

I mention that because you say that we give tax exemptions to favored groups.

Now, would you be opposed to tax exemptions we are giving the elderly in this Nation?

Mr. SURREY. I am not opposed to all of those exemptions. The matter that troubled me, Senator Carlson, was that as a result of the accumulation of all the exemptions, you do get situations—for example, the married couple over 65, \$135,000 of capital yielding an income of \$6,100, that does not pay any income tax, and it seems to me as part of a broad program of revision that Congress might want to consider whether the cumulative total of all the provisions in the law relating to persons over 65 had become too generous or not.

That does not mean to say that in the end there would be any change or to say what the change would be in the end. But rather the thought that over the years these various provisions had been added, and that the Congress might appropriately consider it desirable to consider the cumulative effect of all the provisions, and to see whether it thought all the difference in treatment between those over 65 and those under 65 was proper.

It might well be a proper reflection of public policy. It was one matter I thought that ought to be examined.

Senator CARLSON. For instance now, those over 65 years of age can deduct their medical expenses without any percentage deduction.

Mr. SURREY. Yes.

Senator CARLSON. Do you think that should be changed?

Mr. SURREY. I have not particularly considered that one way or the other. I can see more reasons for that than some of the other matters.

Senator CARLSON. Those are some of the problems, and when you begin to discuss it, as you do in this article, it makes one wonder when you sit up here behind this dais how far you are going to recommend when these recommendations come up, and I am looking forward to the time when they will be coming up here. That is the reason I together with other members of this committee am so concerned to get your most recent views.

I realize that was written in 1956, and I so stated.

Mr. SURREY. Well, I appreciate your situation, sir; and, as I say, the views I have expressed and the views you have reference to, were views that I expressed in my writings as a professor.

It is incumbent, I think, upon professors to express their views; they are requested, most often by the Congress, to express their views, to suggest to the Congress what is some of the thinking in various circles.

However, there is a vast difference between recommendations and thoughts when you have the responsibility of a scholar or professor, and recommendations and thoughts when you have the responsibilities of a public official.

Senator CARLSON. Mr. Surrey, I know from personal experience and past history of your ability as a tax attorney, a tax lawyer. I hope that you will come up here with tax recommendations that will keep in mind some of us on this side of the dais who must make these decisions, and I know from the past that this committee will be able to work with you, as we did in previous years. I may not always support your position, but I will have to admit that you know the problem, at least.

Mr. SURREY. Thank you, sir.

It is my intention to obtain as much guidance and wisdom as I can from the members of this committee before programs are proposed.

Senator CARLSON. That is all, Mr. Chairman.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Well, Mr. Surrey, you may have concluded from some of my questions yesterday that they were unfriendly, so I can start off perhaps with some friendly ones.

When did you write this tax report that they speak of, this task force report?

Mr. SURREY. It was in December, the latter part of December.

Senator ANDERSON. When was it submitted to Mr. Kennedy?

Mr. SURREY. I think January, about the first week in January—January 9.

Senator ANDERSON. He resigned from the U.S. Senate early in January, as I recall, because of the appointment situation. Did you submit it then as a private citizen?

Mr. SURREY. Did I submit it to a private citizen?

Senator ANDERSON. You were submitting it—

Mr. SURREY. To Mr. Kennedy as President-elect.

Senator ANDERSON. He either was a private citizen or was about to become one.

Mr. SURREY. Yes.

Senator ANDERSON. I am only trying to establish that if this were done to the then President of the United States it would have one

standing. But if it is submitted to a man who is about to take office, it can be a private communication to him for his own guidance. Did you so regard it?

Mr. SURREY. Yes, sir.

Senator ANDERSON. You have been active during some of these previous years when President Eisenhower was coming into office. He sent a task force in here and they spotted them in every department. Henry Cabot Lodge worked as general coordinator; the men were in every agency.

I do not recall that everything they wrote was submitted to the Congress as an indication of their feelings. Do you recall that they were?

Mr. SURREY. No, sir.

Senator ANDERSON. I am glad of that because I do think the President has a right before he takes office to ask anybody he wants to, and regard the communication as privileged if he cares to do so.

Now, the question was asked if you regarded your appointment as a reward for writing that report; Mr. Caplin whether he regarded his appointment as a reward for it.

You had a reputation as an expert in taxation, a tax expert, who served in the Treasury?

Mr. SURREY. That is right, sir.

Senator ANDERSON. He selected you to write the report because of your reputation in that field. Might he not have selected you for this job for the same reputation?

Mr. SURREY. I would like to hope so.

Senator ANDERSON. I would like to hope so, too. I do not think these are always rewards. I know that my insulin intake went from 5 units a day to 55 units a day while I was serving in the Department of Agriculture, and it was no reward as I saw it.

Now, to get back into the critical mood again. [Laughter.]

Well, I have to telegraph these punches, I guess.

You have some comments on natural resources that have been referred to, and because of the situation in my State I would like to have a little clarification.

Investors—

this is from pages 818 and 819 of this Columbia Law Review article that has been quoted a good deal in the last 24 hours.

Investors in natural resources receive special treatment in a variety of ways. For one, percentage depletion at rates ranging from 27½ percent for oil and gas to 5 percent for clay, operates to exclude a portion of the gross income from the natural resource property even after the investment cost have been fully recovered.

Now, in my State in one particular county for a long time 90 percent of all the potash that was available in the United States was mined.

Do you feel it is wrong to grant a depletion allowance for the depletion of that potash supply that has been developed?

Mr. SURREY. Well, no, certainly not wrong to have allowances for depletion.

Senator ANDERSON. How would you know when the investment cost had fully been recovered, when just the cost of sinking the original shaft was recovered?

I ask that because the discovery of the original potash was a result of the drilling operation for oil. Snowden McSweeney, as I recall,

was drilling a hole for oil, and ran through the potash slats which they, by mere accident, happened to identify.

Therefore, since they charged off that hole to their oil drilling operations, there was no cost to it. It would be pretty hard to decide when the investment cost had been recovered.

Mr. SURREY. That would be, under those circumstances—I'm not familiar with it firsthand—there would be problems of allocation of costs between various operations.

Senator ANDERSON. Well, it has passed into completely different hands.

Mr. SURREY. Yes.

Senator ANDERSON. From my standpoint, since I was the person who wrote into or had written into the law the depletion allowance on potash, I might hope it would be regarded as almost the last word in human wisdom. I will leave you to your own opinion on it. [Laughter].

What about lead and zinc? The Senator from Oklahoma, Mr. Kerr, is the author of one lead and zinc bill, and I am the author of another.

Senator BENNETT. The Senator from Utah is the author of another.

Senator ANDERSON. Yes, but it does not have the same chance of passing. [Laughter.]

Now, when he was a Member of the Senate, President Kennedy voted for a lead and zinc bill, and the Senator from Oklahoma is interested in the small producers, and I am interested in some of the little larger ones because we do not happen to have any small ones in my State, and you must bear that constantly in mind, as you well know.

So the Government is now interested in trying to do something for lead and zinc. If you would take away the depletion allowance for lead and zinc, wouldn't you plunge them into a more difficult situation?

Mr. SURREY. Senator, there is no question that the percentage depletion and the whole treatment of natural resources is a very complex question because it is tied up not only with the tax law but with what our national public policy is with respect to the development of various natural resources. For that reason I could come to no conclusion on my own on the matter.

Senator ANDERSON. Do you have an open mind on this?

Mr. SURREY. Yes, sir; completely on this point.

Senator ANDERSON. You recognize that it is part of the task of a Government agency to implement the law as passed by the Congress?

Mr. SURREY. It is the duty.

Senator ANDERSON. And these laws have been passed by the Congress.

Mr. SURREY. Yes, sir.

Senator ANDERSON. Therefore, there couldn't be advice as to what might be the future course, but that does not necessarily involve a campaign to get rid of them, does it?

Mr. SURREY. No, sir.

Senator DOUGLAS. The rest of us will provide the campaign, Senator Anderson.

Senator ANDERSON. I know that; I know that.

I have been sitting next to Paul for a long time, and he and Mr. Williams can be depended upon to cover the problem.

Now, copper is in the same category—I do not want to go through everything that we had. But we have coal, we are a typical State with many of these natural resources, and I know we would like to feel that you have an open mind on that. Do you have an open mind on oil and gas?

Mr. SURREY. Yes, sir.

Senator ANDERSON. Good. I think I will leave it right there. [Laughter.]

Well, it is a matter of long argument. We had it up and down in the last campaign as to what the Democratic platform plank meant, and having participated in the writing of it, I though I knew what it meant until I heard the interpretations of it.

Now, the phrase that worried me a little bit on capital gains was this one—

by an ill-considered and unwise technical decision capital gain treatment was accorded to lump-sum pension plan payments on retirement.

I think I joined Senator Douglas maybe in protesting on these very large payments that were made to people retiring from corporations where their salaries had been in the neighborhood of \$200,000 and \$300,000 a year.

Do you feel there is a difference between the type of lump-sum payment, as to whether it should be given capital gains treatment? I do not quite understand that; there are instances where this seems to be essential that people be allowed to draw their pension plans in one lump sum.

Mr. SURREY. Well, yes, I think that is true. I once was curious about whether this was necessary or not, and looked into it, and did find under a number of pension plans arrangements there are, as you say, a number of instances where it has to paid out in a lump sum.

Senator ANDERSON. Don't you feel that pension plans are a good thing, or do you?

Mr. SURREY. I believe they are a good thing.

Senator ANDERSON. You said in this article:

It is clear that there is a steady drive by organized labor to have employers increasingly bear the living expenses of their employees.

Can you explain what you mean by that?

Mr. SURREY. There I had reference to another area which, I think, is troublesome, and as to which I had reached no conclusions, and that was the area of the so-called fringe benefits, the question of board and lodging, life insurance, and so forth, where the employer bears the cost.

Senator ANDERSON. Isn't there a difference between board and lodging and life insurance?

Mr. SURREY. Life insurance premiums paid for by the employer.

Senator ANDERSON. Yes. But isn't there a difference between them? Don't you think there is a difference? One is sustenance.

I have a little—I did have a little—business in which I put in a life insurance program in order to assure stability of employment. I wanted the same people there year after year. But I did not feed them. You do not think there is a difference?

Mr. SURREY. I think there is a difference between these matters, and that is why the area is so difficult.

As to how to handle these fringe benefits, board and lodging, for example, distinctions are drawn whether it is on the premises of an employer, off the premises of the employer, and it is this area where there is considerable uncertainty in the law.

Senator ANDERSON. Do you think the employer does it as a means of charity?

Mr. SURREY. No, sir; as a means, I think, of general compensation in the large sense of the term; that is, as a means of—

Senator ANDERSON. Could it not be for his own benefit, I mean the establishment of a cafeteria so that an employee does not have to gulp down a sandwich and some sort of a soft drink, but is allowed to have hot soup and a light lunch; isn't that for his own efficiency in the factory or wherever he may be?

Mr. SURREY. I think it is. I think that would be the reason for it basically.

Senator ANDERSON. There is nothing wrong with that, is there?

Mr. SURREY. There is nothing wrong with any of this. The problem is, in a sense, how it is to be treated under the tax laws. There is nothing wrong with it.

Senator ANDERSON. Well, you said on fringe benefits:

Congress, prodded apparently by the Treasury Department in recent years—I do not know just which recent years that refers to—

has been drifting in the direction of withdrawing employees fringe benefits from income tax coverage, the recent statutory example of simply excluding employer-provided medical benefits, board and lodging furnished by the employer—to which you have just now referred.

Some of us are interested in medical care for the aged. Do you regard that as improper?

Mr. SURREY. No, sir.

Senator ANDERSON. Well, that will probably lose you as many votes as it will gain you on this committee, but I thank you for that answer, because I believe that it is a wise provision, as many of these other things are.

Senator WILLIAMS. Do you have an open mind on that one, too, or is that fixed?

Mr. SURREY. That does not fall within my jurisdiction.

Senator ANDERSON. If you keep your mind closed on that, there are only a few people with determination on that question.

Child care deduction is on the borderline.

What worries you about that?

Mr. SURREY. I suppose the same thing that worried the Congress when it adopted it. It was a very restricted deduction. It was highly limited.

There are a lot of special rules connected with it, and it is not claimed in very large amounts because of the limitations that are put on it by the Congress, and it is a question whether the law should have been complicated to that extent.

The difficulty of the question, I think, was shown by the fact that it occupied so much of the attention of the Congress in 1954, and the final solution was a complex solution, severely limiting the scope of the deduction.

Senator ANDERSON. I do not want to take up all the time, but do you have any firm view on this question of capital gains treatment? Do you see any benefits in capital gains treatment?

Mr. SURREY. Certainly.

Senator ANDERSON. Don't you believe it contributes to a little velocity, at least, in our stock exchange?

Mr. SURREY. The problem is a complex one again, but it does contribute to increased investments in equities in large and small companies.

Senator ANDERSON. I think that is all, Mr. Chairman.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Chairman, thank you.

Mr. Surrey, you, I understand, have had previous experience in representing the Treasury in helping taxwriting committees write tax bills?

Mr. SURREY. Yes, sir.

Senator BENNETT. I am sure the experience of today and yesterday is just kind of the experience which has tended to sharpen you up again and make you realize that this is still a problem even though you have been out of it for awhile.

Before I get down to my questions, I am inclined to infringe on two things. I have been sitting here waiting for some kind of an excuse to get the word "Surrey" and the word "fringe" together, and Senator Anderson supplied that, and I am very grateful to him. [Laughter.]

Now, the other little bit of wisdom I would like to give you is a variation on the quotation that was thrown into the discussion earlier about what happens to people who write.

My father used to quote the old statement of "Do right and fear no man. Don't write and fear no woman."

Now, I think we will have to amend that and say, "Don't write and fear no committee of the Senate," because much of the ordeal you have been going through has been built upon statements you made and had published in situations, where, I am sure, you never expected they would be used for the purpose for which they have been used today.

But this is a game, and every member of the committee thus far has played it, and I cannot resist the opportunity to continue. So relax and we will go on with these questions of what you have written.

Senator KERR. Will the Senator yield?

Senator BENNETT. Yes.

Senator KERR. The Senator from Oklahoma would admonish the witness not to relax. [Laughter.]

Senator BENNETT. This advice was given to you by a member of the other party who will be in control of the committee when you come up before us.

I would like to take you back, first, to this article in the Harvard Law Review, 1957. You covered a lot of ground in that article and on page 1166 and page 1167 you got around to the point of making some comments about the congressional tax staff. You are going to have to work with these fellows in the next few years, and I think this is an opportunity for you to shed some of the implications that that article contained and put yourself back in better position.

You said:

The description of the Treasury as the principal and, often, the sole defender of tax fairness, calls for a consideration of the role of the congressional tax staff.

Now, the implication in that statement is that Treasury is the defender of tax fairness, which means that the tax staff is not.

I am sure you did not mean it that way.

Mr. SURREY. No, certainly not.

Senator BENNETT. You go on to say:

The role of the head of the staff and the staff is a difficult and unenviable one.

I will not read all of this, but you finally come up and say:

The special interest groups cannot appear in the executive sessions of the committees. The Congressman sympathetic to their point of view is not technically equipped to present their case. He tends to look to the chief of staff to assume that task. Further, he looks to the chief of staff to formulate the technical compromise which will resolve the dispute between the special interest group and the Treasury.

Because of these institutional pressures the chief of staff is often the opponent of the Treasury before the tax committees.

Do you approach this job with the feeling that you are going to be the inevitable opponent of the chief of our tax staff?

Mr. SURREY. I do not think "opponent" is a well-chosen word.

Senator BENNETT. Would you like to suggest a substitute?

Mr. SURREY. I would like to suggest that we work cooperatively in the solution of these difficult problems before the committee.

Senator BENNETT. Is it not true that in the event of a bill which would fall within the purview of your article, a bill proposing changes in the tax law which might affect one group more than another, that the Treasury has its opportunity, at least in the pattern of this committee, to present its point of view in executive session?

Mr. SURREY. As I understand it, this committee always hears the Treasury in executive session; yes, sir.

Senator BENNETT. And don't you think we should hear our tax staff in executive session also?

Mr. SURREY. By all means, certainly.

Senator BENNETT. Do you think that this gives, what you refer to in this article as the special interest groups, an advantage which they should not have.

Mr. SURREY. No, sir.

Senator BENNETT. Do you have confidence in the competence of the staff that serves the two committees?

Mr. SURREY. Certainly.

Senator BENNETT. And will you approach your work with them in a spirit of cooperation and not in the spirit that was indicated in this unfortunate word that they are often the "opponent" of the Treasury?

Mr. SURREY. Certainly I do not see how we could succeed at all except in that cooperative spirit.

Senator BENNETT. If and when there is a disagreement, difference of opinion, and the members of the committee are forced, as they are, to make a choice between the Treasury position and that which might be recommended by the tax staff, you will not feel too badly if we vote against you?

Mr. SURREY. Not at all, sir.

Senator BENNETT. Well, I am happy for this, because this particular article has left a bad taste in the mouths of some of us who have tremendous confidence in the competence of our staff, not only their competence as specialists, but their willingness to be self-effacing and to accept the decision of the committee with very good grace.

Now, there are two areas in which you have written or spoken which none of my colleagues thus far have questioned you about, and I would like to bring them up very briefly.

By the accident of history, in the hearings before the Ways and Means Committee's Subcommittee on Foreign Trade Policy held in December 1958, both you and Secretary Dillon appeared, and in those hearings you took exactly opposite positions with respect to the treatment of foreign tax credits and the handling of foreign tax problems.

Mr. DILLON stated:

In our current tax treaty negotiations we have introduced an important innovation. We are preparing to give tax credit for certain income taxes spared as if they had, in fact, been collected abroad.

I think in those same hearings you took a rather strong position in opposition to this point of view. You opposed any statutory changes which would liberalize tax incentives to U.S. businesses investing and doing business abroad, and you stated:

There are no fundamental corrective changes to be made in the interest of foreign investment, and no major proposals to reduce the burden on foreign income relative to domestic income that deserves support.

I suppose it is too soon for you to have found out whether in his new position, Mr. Dillon has moved over to your position, or in your position you have moved over to Mr. Dillon's.

But do you have any comment on this disagreement in the approach to the foreign tax credit problem?

Mr. SURREY. Well, I think the word "disagreement" might be too sharp.

I think this is a matter that—and I do not think that Secretary Dillon would disagree with this statement—is a matter that would have to be reexamined and considered by this administration as to whether tax-sparing treaties were desirable or undesirable, both from the interests of the United States and, equally as important, from the interests of the underdeveloped countries with which the treaties are being negotiated.

I think there is an obligation on the United States in negotiating these treaties to take into account the interests of the underdeveloped countries with which the treaties are being negotiated.

Senator BENNETT. But there are treaties with developed countries, and eventually the question of the tax treatment of American investments abroad comes to this committee and not the Foreign Relations Committee.

Mr. SURREY. I do not believe that Secretary Dillon was recommending tax sparing for the developed countries. I may be mistaken in that, but I doubt if his recommendation went beyond the underdeveloped countries; and the Treasury Department has not in any of its treaties with the developed countries ever considered, as far as I know, a tax sparing clause.

Senator BENNETT. What is your position about the existing foreign tax privileges that we give, including the privilege to defer the tax until income is brought back into the United States?

Mr. SURREY. That is a matter which is presently under study not only by the Treasury Department but by other Departments of Government in response to a request by the President and the study has not yet been concluded.

Senator BENNETT. I assume when you appeared in 1959 you were speaking in support of the existing law, which contained that provision.

Mr. SURREY. At that time I was of the opinion there need be no change. Since then, and this is the problem with, this is the situation with, nearly all tax problems, that different events enter on the scene. There is now the balance-of-payments problem, and the views people formerly held with respect to foreign investments are being reexamined throughout all the departments concerned with this in the administration.

Senator BENNETT. Are you telling us that the administration is considering changing the existing pattern with respect to handling of foreign investment income, taxes on foreign investment income?

Mr. SURREY. Well, Secretary Dillon before this committee indicated that this was one of the matters that should be considered.

Senator BENNETT. I would like to move over to another problem, and this is my last area.

In the Washington Post of Friday, March 17, there is an article which carries the headline "Novel Tax Plan Considered as Business Spur." This goes on to discuss the proposal. It says:

Mr. Kennedy favors the path-breaking credit approach invented by Stanley Surrey, Assistant Secretary of the Treasury.

That would permit some tax deductions to a corporation, as I understand it, that invested more money in a given year than an amount arrived at by some formula which might be the average over a period of years, or might be the total of its annual depreciation or some such base. Is this program still under study and consideration?

Mr. SURREY. Yes, sir. It is under study and consideration—there are under study and consideration a variety of measures with regard to tax incentives for investment in new plant and equipment.

The study is one designed to make the—sustain a recommendation of the most appropriate—

Senator BENNETT. This is only one of a number of programs?

Mr. SURREY. This is only one of a number under consideration.

Senator BENNETT. And among the others, the question of a more liberal method of calculating depreciation, is that being considered?

Mr. SURREY. A more liberal method of calculating depreciation, a credit for new investment that is not limited with respect to any excess over a given period, a variety of matters are under consideration.

Senator BENNETT. A number of taxpayers, particularly small businessmen, have been very much disturbed by this plan of yours, and the next few questions I am going to ask you go to some of those fears.

Under this proposal, is it not true that while this would operate as an incentive to expansion, it would do very little to encourage modernization and rehabilitation?

Mr. SURREY. So far in our studies of the effect of it, that would not be the conclusion I would draw. I think it would have an effect both on expansion and on modernization.

Senator BENNETT. Then you would interpret a program of repair or modernization to be the equivalent of a program based on building a new plant or buying new machinery?

Mr. SURREY. Yes. I think it has been misunderstood, and the investment in plant and equipment means any equipment—machinery and the like—not limited to factories and buildings.

Senator BENNETT. Wouldn't this program discriminate in favor of a taxpayer with money in the bank as contrasted with the taxpayer who does not have money to invest over and above the income he receives, say, from his depreciation allowance?

Mr. SURREY. That is one of the problems that is under consideration.

For example, there are some taxpayers who do not spend up to their depreciation allowance for one reason or another, and their situation has to be taken into account, and that is one of the aspects of the matter that is under consideration.

Senator BENNETT. Well, let us take a practical situation. I have faced this problem as a businessman.

Suppose you have an asset that has a 10-year life and you religiously accumulate your depreciation; you are only going to pay out 1 year in 10 on that basis. Now, it does not work out that way because you have so many assets and they are rolling over, but certainly a businessman cannot operate on the theory that he has to pay out every year the amount that he accumulates in depreciation. He has to have some reserves held back for the peaks of his problem and for situations where further investment seems wise.

Now, it would seem to me that this program of yours would tend to give advantage to a man who can develop a peak and make a substantial investment in a single year rather than the man who, by the nature of his business, has to keep rolling over his depreciation replacement income.

Mr. SURREY. I do think, Senator, these are all points that are highly important, and are giving us—one of the reasons why we are studying this as intensively as we can is to take account of all these important issues that you are raising.

Senator BENNETT. In your study are you discussing this with people who are actually going to have to live with the problem, men in business, or are you discussing it only with the, pardon the phrase, theorists who are trying to develop tax laws under which the rest of us will have to operate?

Mr. SURREY. I am discussing it with as many people as I can from all walks of life, in and out of the Government.

Senator BENNETT. Have there been any formal discussions with the organized business groups?

Mr. SURREY. There have been informal discussions with representatives of the various business groups; yes, sir.

Senator BENNETT. Like the U.S. chamber and the various small business organizations?

Mr. SURREY. Yes, sir.

Senator BENNETT. Do you have any precedent or model for this kind of proposal or was the word "invent" a good word in this story?

Mr. SURREY. No. The word "invent" was, I think, a newspaper phrase. There are variations of this proposal in European treatment. As a matter of fact, it is the system that the Belgians do use in their handling of the problem.

The European countries have experimented more with tax incentives, I think, than the United States; and you will find, if you look at the European experience, a range of proposals or a range of experience with respect to tax incentives for investment in plant and equipment, and the Belgians and, I think, one of the other European countries are working along the lines of the credit mechanism.

Senator BENNETT. Is this actual law that exists in Belgium or is this a proposed program?

Mr. SURREY. No, this is actual law.

Senator BENNETT. That is all, Mr. Chairman.

Thank you very much, Mr. Surrey.

Mr. SURREY. Thank you.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Surrey, your papers and testimony before the House Ways and Means Committee in 1959 have been referred to. May I ask, have you prepared these papers at the request of the chairman of the House Ways and Means Committee, Congressman Mills?

Mr. SURREY. Yes, sir; I did at his request.

Senator DOUGLAS. And you felt that it was your duty as a citizen to comply with this request?

Mr. SURREY. Yes, sir.

Senator DOUGLAS. You received no compensation for the work which you did on these papers?

Mr. SURREY. No, sir.

Senator DOUGLAS. You spent a good deal of time in preparing the material?

Mr. SURREY. Yes, sir.

Senator DOUGLAS. You felt it your duty as a citizen to do this?

Mr. SURREY. Yes, sir.

Senator DOUGLAS. Now, I notice in the volume of testimony that Chairman Mills made an introductory statement which I read from page 1, which ran as follows:

I am confident that these discussions will demonstrate the extent of the erosion which has taken place in the income tax base. I am also confident that our study will show that such erosion of the base must not continue and that action should be taken to broaden the income tax base in order that there may be a reduction in the high level of the rates now existing.

Do you remember that statement?

Mr. SURREY. Yes, sir.

Senator DOUGLAS. Am I wrong in believing that your writings in the field of taxation and your testimony have been directed to the same purpose that Chairman Mills outlined in his introductory statement?

Mr. SURREY. I believe they are directed to the same purpose; yes, sir.

Senator DOUGLAS. So that if there is any criticism of your purposes, those criticisms would apply in equal measure to the statement of purposes of the distinguished Congressman from Arkansas, who is chairman of the House Ways and Means Committee, the companion body to this committee; is that correct?

Mr. SURREY. Yes, sir; in that sense.

Senator DOUGLAS. Now, Mr. Chairman, it is not my purpose to ask Mr. Surrey any questions but, with your permission, I should like to make a statement, if I may.

The CHAIRMAN. Yes, sir.

Senator DOUGLAS. I have not been able to give Mr. Surrey's writings the line-by-line scrutiny that many of my other colleagues have been able to do. I have read a number of his articles and I have listened to his testimony and, as I understand it, Mr. Surrey's ultimate goal is that people with equal income should pay approximately equal taxes; and, second, if that is done there then can be a general reduction in tax rates.

So that his proposals for broadening the tax base are in the context of a general revision of the tax rate system which would reduce taxes for the vast majority of those who pay taxes.

Mr. SURREY. Yes, sir.

Senator DOUGLAS. And, therefore, the general public would benefit from the proposals which he makes.

Now, I submit, Mr. Chairman, that this is an eminently just and necessary goal, and far from castigating Mr. Surrey for holding to this goal, I think he should be praised.

Now, we all know, at least I think we know and I think I know, that this principle has been badly violated by special favors given in the past by legislation and by administrative rulings in favor of special groups, and that there is still insistent pressure by special interests to get still further favors.

Now, these special interests are concentrated and powerful because legislation or the rulings can mean enormous sums of money to—give enormous sums of money to—limited classes, and they, therefore, have a tremendous economic motive for urging these special favors, special interests, and special legislation.

The interests of the general taxpayers, on the other hand, are diffused. Since while they will lose collectively large sums, the individual losses to a given person are not great, and the average citizen therefore does not have the incentive, the time, or the knowledge to defend his interest, and it is almost impossible to organize these citizens in groups to defend their interests.

To my mind, one of our greatest needs is to have skilled experts who will defend the general interest. There is no money in this task for anybody. Big money and big fees are all on the other side.

We have developed a highly skilled group of tax lawyers, a perfectly ethical group, but who, representing their clients, get large fees to make inroads upon the tax structure.

I think the country was very fortunate for some years in the fact that when Randolph Paul was living he was effective in defending the public interest. He was a skilled tax expert who had served with great distinction in the Treasury.

He went into private practice and made very large fees from tax law. I think he was perhaps the tax lawyer with the highest net income of any lawyer, and yet he devoted a very large share of his time in trying to remove injustices, what he regarded as injustices, in the tax situation commonly against the interests of many of his clients.

Unfortunately, Mr. Paul died; he died testifying before a congressional committee in behalf of tax reform, and at the moment he left no immediate successor.

I felt for some time that Mr. Surrey might well be his successor. Mr. Surrey had long experience in the Government and in the Treasury and, as Senator Carlson said, represented the Treasury with distinction on the Hill.

He went into private practice. I do not know his private income, but I am told that he has collected large fees from private parties, and if this is a test of competence, I submit that he has passed the test in the marketplace.

At the same time, he has been a distinguished professor of law at the University of California and at Harvard, and in his writings he has carried on the tradition of Randolph Paul of what may be termed a "defender of the general interest."

This has undoubtedly caused opposition to him on the part of those who are seeking special favors, and I make no reference to any member of this committee.

Senator KERR. Specifically.

Senator DOUGLAS. Right.

In my judgment, we need men like Mr. Surrey, and I regard his appointment as a fortunate one for the country and, for what it is worth, I should be happy to vote for his confirmation.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Chairman, I will not attempt to go into many of the details, because they have been covered.

Mr. Surrey, it has been my privilege to serve under, I think, the two most distinguished chairmen of our generation, our present chairman, Senator Byrd, and for many years under that great man from North Carolina, Robert Doughton; and during that time we would see you around the committee.

As I understand your thesis, you contend that if a great many special provisions—I do not like the word "special"—a great many, you might say, individual provisions of the tax law were removed, the law could be simplified and that general rates could be lowered, and the same amount of revenue obtained, the same amount or more; is that the thesis you have been working on?

Mr. SURREY. That is the general thesis, sir.

Senator CURTIS. Well, now, this business of self-government is a mixture, to my mind, of technical knowledge, practical business operation, plus public relations, which means getting along with the people and selling the people on the idea, and we would never succeed if it lacks in any one of them.

Could your thesis ever be carried out other than in a one-package deal?

Mr. SURREY. I do not know the answer to that question. It is a question, I think, that every one of us interested in this thesis would have to give consideration to.

Senator CURTIS. Now, if you lowered the rates generally, everybody would rejoice. There would be a lot of us who would be worried about deficits, but everybody in the country, the individuals, would rejoice.

If you led off with that first, then these provisions that you object to, if they were approached afterwards, your quid pro quo is gone; is it not?

Mr. SURREY. Yes, sir.

Senator CURTIS. Now, if you undertake to proceed to remove these individual items or these provisions that deal with individual cases, the first public reaction, the reaction of the committee and the reaction of those of us who have a responsibility for economy would be

somewhat to this effect: What assurances do we have that this will result in lowering the take?

Consequently, do you not have great doubt that you could ever put over such a program piecemeal or step by step?

Mr. SURREY. I think your line of thought indicates, and is a good indication, that one should certainly approach this from the standpoint of a single package.

Senator CURTIS. Now, do you regard all individual approaches in the Revenue Code—and I am purposely avoiding the term “loophole,” because I think it is misused—“loophole” to most people means a provision of the internal revenue law that somebody else can use and they cannot—but the special provisions dealing with special situations, do you regard them all as bad per se?

Mr. SURREY. No, sir.

Senator CURTIS. For instance, the standard deduction for taxes paid and contributions made and interest paid can work to the advantage of millions of people, is that right?

Mr. SURREY. It is a simplification; that is right.

Senator CURTIS. And it can work to the advantage of millions of people all of whom are in the lower income bracket; is that not right?

Mr. SURREY. That is correct, sir.

Senator CURTIS. Yes.

Now, have you made any analysis of these individual provisions of the tax code with respect to those provisions, helping one economic bracket to the proportionate disadvantage of another economic bracket?

Mr. SURREY. I am not sure I follow the question. I think that all of this has to be considered in the context of a broad revision, starting with the general proposition that those with equal incomes should pay equal taxes, unless there are overriding considerations to the contrary. There may well be in a number of instances.

Senator CURTIS. Well, now, many of these provisions that grant relief in a special situation, to my mind, help people in the low and the lower middle income brackets immensely.

For instance, the deduction for medical expenses: It is conceivable that an individual of a very modest income, and in the same year, having to pay terrific medical expenses, and might be totally relieved of the Federal income tax burden; is that not correct?

Mr. SURREY. He could be, yes, sir.

Senator CURTIS. Yes, sir; and that could not happen in the higher brackets?

Mr. SURREY. No, sir; not with the present limitation.

Senator CURTIS. I believe we have built up in this country a class conscientiousness that cannot be supported by the facts when we use the term which I dislike to use, the term “loophole” because many of these provisions in the tax law were put in there for good and sound reasons, such as the one I mentioned, the deduction for medical expenses, and I feel that if this thesis of yours could be followed, and I am not commenting on the merits or the demerits, but it would take not only a one-package deal, but the one-package would have to be complete in its technical aspects so that everybody could understand it and it would have to be well sold, and then you would still have the fear in the country that with spending programs going on and on and on, the request for spending programs going on and on,

that after these rates were generally lowered that Congress, very unwillingly, would say, "We would have to raise each bracket by so many percentage points." Isn't that correct?

Mr. SURREY. There is always that problem that we face; yes, sir.

Senator CURTIS. We operate under a system, and I realize the Federal Government has grown so large that the work has to be spread out, but in the House of Representatives for many years in the early days of the Republic, the same committee which had jurisdiction of taxes had jurisdiction of appropriations; you are aware of that, are you not?

Mr. SURREY. Yes, sir.

Senator CURTIS. That no longer pertains.

The House Ways and Means Committee and the Finance Committee, as committees, are charged with recommending laws to get enough money to run these programs, good or bad, because we are likewise charged with the management of a national debt, and management of the debt means to pay it, in my book.

So that there are, you realize that there are, many, many very important roadblocks to what you propose that are definitely based on the public, and are in no way related to selfishness or greed on the part of individual taxpayers or groups of taxpayers or any particular income brackets; isn't that correct?

Mr. SURREY. That is correct, sir.

Senator CURTIS. I shall not take any more time. I have been interested in your responses.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Thank you, Mr. Chairman.

Mr. Surrey, when Secretary Dillon was before this committee he indicated, in response to a question that I asked him, that he intended to send to the Congress some recommendations on depreciation reform at a very early date.

To your knowledge, is this still the intention of the Treasury Department?

Mr. SURREY. Senator, the tax message will contain a recommendation with respect to a tax incentive for plants and equipment. I do not know whether that is the matter you have reference to or not.

Senator HARTKE. That is the so-called tax credit plan?

Mr. SURREY. Some incentive, yes, sir.

Senator HARTKE. Is it true then that this measure, if it is in the form of a tax credit, is designed as an antirecession measure or is it designed as a reform in depreciation?

Mr. SURREY. I would say it is not designed as either. It is not an antirecession measure in the sense of or in the same category as the other antirecession measures of the President.

It is rather a measure designed to improve our long-range growth in this country. It is not—it is also not—designated as any final answer to the problems of what, one might say, should be regular depreciation year in and year out.

Senator HARTKE. Yes.

Are you familiar with the current situation in most of the business communities in which they are withholding any investments in capital goods on the ground that they are completely in the dark as to what

the future depreciation may be, and are sort of waiting for the outcome of what the recommendations are going to be?

Mr. SURREY. I am glad you asked that question because I think it would be completely unnecessary for any business to hold up any investment that it was contemplating making now in plant and machinery because I think any tax incentive with respect to investments in plant and machinery would certainly cover any investment made after, say, March 1 of this year. So that any concern contemplating an investment could certainly go ahead and make that investment.

Senator HARTKE. Would the Treasury Department, in your opinion, be adverse to making such provisions if they occurred retroactively back to January 1?

Mr. SURREY. It certainly is a matter that should be given consideration. But I think definitely that any investment after March 1 should certainly qualify, and we will give consideration to the suggestion that you have just made.

Senator HARTKE. So, at least that part of it, if there is any change in your opinion it should not affect our current investment at this moment and, thereby, add to whatever troubles we have in regard to the recession; is that right?

Mr. SURREY. That is right; and I am glad you brought the point up because I think it is a highly important point.

Senator HARTKE. In regard to the present situation economically, I am sure you are familiar with the Heller report?

Mr. SURREY. In his testimony before the Joint Economic Committee?

Senator HARTKE. Yes; that is right.

Mr. SURREY. Yes, sir.

Senator HARTKE. At the present time do you feel that, in view of what is contained in this report, that his so-called tax credit plan will help to alleviate the recession? In other words, although not designed for that, would it help to alleviate the recession?

Mr. SURREY. Yes, sir. It would have a favorable antirecession effect.

Senator HARTKE. Yes.

Now, if such a plan is submitted, do you feel it would be on a temporary or on a permanent basis?

Mr. SURREY. That is one of the matters under consideration.

I would think that it could tend to be on a permanent basis, but is the kind of a matter that one would probably want to look at from time to time and see how it was working out, as a new provision.

Senator HARTKE. And under the so-called tax credit plan, is it not true that the depreciation would have to be spent first, the amount for depreciation, before the credit would be allowed?

Mr. SURREY. Yes, sir. In other words, as you say, it is for an investment in excess of current depreciation.

Senator HARTKE. That is right. And this would require ready capital and ready cash?

Mr. SURREY. Yes, sir.

Senator HARTKE. This would work to the advantage of larger businesses and to the detriment of smaller businesses under such circumstances; would it not?

Mr. SURREY. I would not want to come to that conclusion. We are, as a matter of fact, discussing various aspects of these plans with small business groups, and it, I think, will turn out that when the tax credit plan or a plan of that nature is fully understood it will be as advantageous to small business as to larger businesses.

Senator HARTKE. Under any circumstances, it is quite obvious that new money of some sort will be required under a tax-credit plan.

Mr. SURREY. Well, the new money, the money, could come from retained earnings as well as from depreciation allowances, and that is why I answered the question the way I did.

Senator HARTKE. But, on a small operation, the retained earnings may be exceedingly small and, therefore, opportunity for expansion for it would be limited; isn't that right?

Mr. SURREY. Yes; any company.

Senator HARTKE. A small enterprise.

Mr. SURREY. Any small company would have to have funds out of retained earnings or funds that it could otherwise borrow or obtain from through equity investments.

Senator HARTKE. Do you feel that there should be an overall reduction of tax rates as an antirecessionary measure at the present time?

Mr. SURREY. I think that is—

Senator HARTKE. I understand, and if you do not want to answer, that is all right.

Mr. SURREY. I would just say that I did not have much of a chance to read the papers this morning, but I noticed that Mr. Heller speaking, I guess, in his official role, said that he did not see any—much less of a prospect, I thought it was, of a tax cut at this time.

Senator HARTKE. Yes. But under the circumstances, the purchasing power in America is certainly curtailed.

Mr. SURREY. Yes, sir.

Senator HARTKE. And if we can anticipate anything from the history of the last recession, we can expect about 6 million or close to 6 percent unemployment after this so-called recession levels out; is that right?

Mr. SURREY. That appears to be the indication.

Senator HARTKE. In other words, we are going to be faced now with an acceptable percentage of 6 percent of unemployment as a permanent proposition in American political life.

Mr. SURREY. No, I did not gather that. I gathered from the President's statement yesterday that this was one of the problems to be put up to his Labor-Management Advisory Committee, or that he put up to his Labor-Management Advisory Committee, and I also gathered that the President, I understand that the President, said he would, after April, reconsider the whole situation and make whatever recommendations he thought appropriate.

Senator HARTKE. Don't you think though with the mood presently in the minds of most people that we are starting to level out or at least some people think we are coming out of the recession, that the mood of Congress toward an overall tax reduction will probably have less chance of passage?

Mr. SURREY. I think that is correct.

Senator HARTKE. Yes, and this will force us into a situation where, in about a year we will come back to recognize the fact that we still have 6 percent unemployment, with the mood, in such a position, in the Congress that you cannot effectively do anything.

Mr. SURREY. I would not want to predict that; no, sir.

Senator HARTKE. I would hope not really. I am not asking you, Mr. Surrey, to comment, but I hope not.

Mr. SURREY. I would agree with you; I would hope not.

Senator HARTKE. At the moment our present plant capacity far exceeds consumption in America; isn't that true?

Mr. SURREY. Overall, yes.

Senator HARTKE. And yet the present situation indicates that we are going to put a priority not on increase in purchasing power but upon the increase of productive capacity; isn't that true?

Mr. SURREY. I would not want to use the term "priority," except that I gather you mean in the tax field.

Senator HARTKE. That is right.

Mr. SURREY. Yes. I would suppose that the tax incentive for investment in plant and equipment really presupposes that the other measures taken will put us on the road to recovery.

Senator HARTKE. Yes.

Mr. SURREY. Those other measures taken could be in the tax field or in the nontax field.

Senator HARTKE. But the history certainly in the last 10 years and the so-called investment incentive in 1954, did not provide the results which you are now hoping to obtain by the same method which proved a failure before; isn't that right?

Mr. SURREY. Only insofar as in the tax field is concerned.

Senator HARTKE. That is right.

Mr. SURREY. The question which I think the President said he would reexamine was whether the nontax antirecession are or are not having the effect hoped for.

Senator HARTKE. Isn't the better reasoning to assume that if you are going to increase production that you should also increase the power to consume?

Mr. SURREY. I think any proposal to increase production must be based on the assumption that inevitably the production will be useful and people will be able to consume the goods that are produced.

Senator HARTKE. And, therefore, wouldn't it be the better part of judgment to tie with your so-called depreciation reform or whatever you want to call it, your acceleration of depreciation, also a tax cut for the American people so that you would have both the things going in the same direction at the same time?

Mr. SURREY. Well, I know that you have earnestly advocated that position, and it is a position advocated by a large number of thoughtful people today.

Senator HARTKE. The chances of that being done are rather slim?

Mr. SURREY. On that I will have to await the President's statement.

Senator HARTKE. And if we go into the next recession it might be too late.

Mr. SURREY. I think that is one of the difficulties in the situation.

Senator HARTKE. And the thinking at the moment is, even by many economists, that there is the possibility of another recession in 1962; isn't that right?

Mr. SURREY. I am not aware of that.

Senator HARTKE. Or early 1963.

This paints a rather bleak picture for some 6 million people who would like to earn a living, does it not?

Mr. SURREY. It certainly does.

Senator HARTKE. It sort of throws the challenge down not alone to you people in the Treasury Department but to us in Congress and in the administration.

Mr. SURREY. I fully agree with that, sir.

Senator HARTKE. And if it is not met head on, this question of employment, it does not make much difference what kind of missiles we have, we will be taken from within, isn't that right?

Mr. SURREY. I agree with your statement, sir.

Senator HARTKE. That is all I have.

Senator CURTIS. Mr. Chairman, I have one more question.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Surrey, do you know of any foreign countries, and if so, I would like to have you name them, where their overall tax program comes nearer to taxing all of the people according to their ability to pay and, to use a very general term, actually work out in a more just way, than the tax program of the United States?

Mr. SURREY. I believe I have said, Senator, that the system of the United States could stand quite favorable comparison with the system of any other developed country with respect to its tax structure.

I also think that with respect to any legislation, tax or nontax, we can never stand still. We should always be alert to improvement if we can find ways to improve it.

Senator CURTIS. I agree with your latter statement. But do you know of any country that you would point out, you would say their overall tax program is more just to all classes of people than that of the United States?

Mr. SURREY. I do not know the details of any system to that extent, but I would say, on balance, that the U.S. system certainly can be compared favorably with any other system.

Senator CURTIS. It is also true that many of the countries we have been called upon to help have never faced up to a tax program that is anywhere near as realistic and as thorough as the tax program of the United States.

Mr. SURREY. I think that is correct. I think the United States has made amazing strides in the development of its Federal tax structure.

Senator CURTIS. At least they collect a lot of money.

Mr. SURREY. That is correct.

Senator CURTIS. That is all I have.

The CHAIRMAN. Senator Kerr.

Senator KERR. Mr. Surrey, as I understand your testimony, you have indicated you think the capital gains treatment now accorded coal royalties is unjustified?

Mr. SURREY. I think it is wrong to call it a capital gain, and the particular classification of it as a capital gain is wrong.

Senator KERR. Would that have any different net result on how the taxpayer was taxed, differentiation in the term? Are we talking about the same thing?

Mr. SURREY. Well, that is the difficulty I have, Senator, and one of the difficulties in the capital gain situation. If this were not classified as a capital gain, if Congress feels it appropriate to give particular relief to coal royalties for one reason or another, that is the decision with respect to coal royalties. I think it confuses the situation by calling it a capital gain.

Senator KERR. Under the present law the holder of a coal royalty who receives income from the coal royalty is taxed on the basis of income to him on a capital gain, and the rate applied to it; is that correct?

Mr. SURREY. That is correct.

Senator KERR. As I understand your position you think that should be treated as ordinary income and taxed as—

Mr. SURREY. That is the presumptive treatment, that is it is a royalty, and ought to be taxed as a royalty.

Senator KERR. That it is a royalty and ought to be taxed as ordinary income.

Mr. SURREY. As other royalties are, as ordinary income; yes, sir.

Senator KERR. Ordinary income.

Now, the same provision in the law applies to the income from the sale of timber. Do you feel the same way about that? You know that the present law has two items in that particular section of the code with reference to which the income is treated as a capital gain and taxed as a capital gain. One is the sale of timber on land, or the income from coal royalty. They are treated alike; is that correct?

Mr. SURREY. So far as the royalty is concerned; yes, sir.

Senator KERR. So far as the income is concerned.

Mr. SURREY. Yes, sir; the income from royalties; yes, sir.

Senator KERR. No, no. It is not royalty income from timber. It is just the income from the sale of timber off lands.

Mr. SURREY. That is right. I am sorry I was confused about it. The so-called cutting of the timber is treated as a capital gain transaction.

Senator KERR. Well, the sale of the timber. It has to be sold before it can be cut unless the fellow—

Mr. SURREY. Yes.

Senator KERR (continuing). Cuts it without buying it.

Now, what I am asking you is if you feel the same way about the present treatment in the law with reference to the income from the sale of timber?

Mr. SURREY. On that matter I simply do not have enough background information with respect to the timber situation.

Senator KERR. Well, there is this difference between a man selling timber on his land and a man selling the coal under his land. If he sells the timber on his land he can eventually hope to be able to have his land produce another crop of timber which could be sold up, so it is a recurring asset.

If he sells the coal under his land he cannot sell that but once, because it does not replenish itself like the timber does. So there are those who feel that the coal is more nearly a capital asset than timber. Does that make sense?

Mr. SURREY. I can see that line of argument; yes, sir.

Senator KERR. Now, therefore, if you felt that it is not justified that a man who owns coal under his land and who sells it should treat the income from that sale as though it were ordinary income, would it be reasonable to assume that that line of reasoning would reach the same conclusion with reference to his attitude toward the sale of a crop of timber off of his land?

Mr. SURREY. It could—the difficulty, as I say, I do not have a background in this area—the general difficulty I would have is, would that apply to all minerals or not?

Senator KERR. Well, at this time, neither of them applies to anything other than the specific item, No. 1, on the one hand is the coal and, on the other hand, is the stand of timber.

I am asking you if your position in the matter would be expected to be the same with reference to the present treatment of the sale of timber as it is with reference to the sale of coal.

Mr. SURREY. The difficulty I have in answering your question is that the two came into the law at different times.

Senator KERR. That is correct. The timber has been there much longer than the coal.

Mr. SURREY. Yes, and the background you have given me with respect to coal relates it more closely to timber than I had understood the earlier argument with respect to coal, which was more of the fact that the inflationary situation with respect to coal royalties had lessened the value of those royalties, and that then it might be appropriate under those circumstances to change the tax treatment.

You have given a different relationship that ties the two up more closely than I perceived they were tied up.

Senator KERR. Are you familiar with S. 544, a bill introduced by Senator McCarthy of Minnesota?

Mr. SURREY. What does it relate to, sir?

Senator KERR. I will send you a copy of it.

Mr. SURREY. No, sir; I am not familiar with it.

Senator KERR. I believe that an examination of it will disclose that the purpose of that bill would be to secure the same treatment for the owner of an iron ore royalty with reference to his income as he received it that is now accorded to the owner of a coal royalty.

In other words, the present law provides for the treatment of the sale of timber or income from coal royalty as being given the capital gain tax treatment, and this would provide the same privilege for the income of the owner from his royalty in iron ore, and I would be led to the conclusion that you would have the same feeling about the treatment being accorded to iron ore that you do with reference to the treatment being given to the coal royalty.

Mr. SURREY. I am sorry; I did not hear that.

Senator KERR. I would assume, since iron ore is a mineral and an irreplaceable mineral, once sold it is gone, just as is the case with coal, that the owner, I would assume that you would have the same feeling about the owner of royalty in iron ore being given the right to treat his income as a capital gain that you have the reference to the owner of coal ore, with reference to the income he collects from his royalty.

Mr. SURREY. I would assume, as I say, lacking any knowledge, detailed knowledge of the situation, if the economic situation were the same—

Senator KERR. I am talking about the abstract treatment of income from an irreplaceable mineral interest, as is the case with reference to coal under existing law, and Senator McCarthy is seeking now, through that bill for the owner of iron ore.

Mr. SURREY. I think the matter should be considered from the standpoint of the similarity of timber, coal, and iron, and I suppose also from any similarity with respect to any other mineral.

Senator KERR. I am just asking if it would be reasonable to assume, in view of the similarity of the ownership of iron ore royalty and coal royalty, whether you would have the same attitude with reference to the iron ore royalty that you have with respect to the coal royalty.

Mr. SURREY. Initially one would have that feeling. I would like to study that situation, sir.

Senator KERR. I want to say, as I said yesterday, that I have every disposition to look upon and presume in favor of, the designated appointee by the President; and I want to say that I was favorably impressed here this morning by your answers to the questions of the Senator from New Mexico that you would approach these matters with an open mind, and then I gathered from the remarks of the Senator from Illinois that you and he had a common viewpoint with reference to these question. [Laughter.]

Senator DOUGLAS. You should not draw that conclusion at all, my good friend.

Senator KERR. Well, I was just going to ask the witness if my assumption in that regard was well founded.

Senator DOUGLAS. I simply said, as I read Mr. Surrey's articles, he believed that people in general, with equal income, should pay equal taxes, and it seems to me—

Senator KERR. You went far beyond that in your respect and regard for him, and your paying him this tribute and giving evidence of the fact you and he had common views, and it gave me such a shock—

Senator DOUGLAS. I am sure it did. [Laughter.]

Senator KERR (continuing). I wanted to ask the witness if your assumption in that regard was well founded.

Senator DOUGLAS. It seems to me extraordinary that the Senator from Oklahoma should question the validity of the principle that people with equal income should, in general, pay equal taxes. This would seem to me to be axiomatic, but I admit that it is a rule probably more violated in the breach than in the observance, so far as our tax laws are concerned; and I felt that he had been given a pretty thorough going over because of a belief on his part which seems to me to be thoroughly correct.

Now, may I say to my good friend from Oklahoma, who has the quickest mind in the Senate, and who probably is the ablest intellect in the Senate, and I say that—

Senator KERR. I am far too modest to contest your conclusion. [Laughter.]

Senator DOUGLAS. I am sure of that. But may I say if you disagree on these points, as I am sure you do, disagree with me but do not take it out on Mr. Surrey.

Senator KERR. Have I appeared to be taking anything out on you? What I am trying to do, Mr. Surrey, is to fix it so that others won't try to take it out. I am trying to get you to remove yourself from

the posture that I think his statements have, unfortunately, put you in. [Laughter.]

Mr. SURREY. I think I can assure both of you, Senator Kerr and Senator Douglas, that I have an open mind on any of these propositions, whether it is advanced by you, Senator, Senator Douglas, or any other Senator.

Senator KERR. And if that would necessarily create a situation—if that would necessarily remove you from the posture of being in complete agreement with the Senator from Illinois, that would not change the validity nor accuracy of your statement?

Mr. SURREY. No, sir.

Senator KERR. You see, those of us who respect and love the Senator from Illinois have never labored under the impression that he had an open mind on it. [Laughter.]

Senator DOUGLAS. I plead guilty in this respect. I simply believe that people with equal income should pay equal taxes. If this be heresy, make the most of it.

Senator CURTIS. Would the distinguished Senator from Oklahoma yield that I might ask the Senator from Illinois a question?

Senator DOUGLAS. Certainly.

Senator CURTIS. I do not understand his statement. You have stated that people with equal income should pay equal taxes.

Senator DOUGLAS. Should, in general, pay equal taxes; that is correct.

Senator CURTIS. Coming to the illustration I used a bit ago, an individual or a family with a rather modest income, another family across the street with a similar income, the same number in the family, the one family has a very expensive, exceedingly expensive, medical bill. Under existing law it is possible that that unfortunate family might be relieved of their taxes. Are you opposed to that?

Senator DOUGLAS. May I say to my good friend there is a difference of opinion as to the definition of income, as to when income really begins, and it may well be that you will say that income begins after some necessary personal expenses have been met. So I do not think the deduction for medical expenses is a violation of the principle that equal income, and I would define that as equal net income, should in the main bear equal taxes; that is all.

Senator CURTIS. I was never aware that personal expenses were a deduction in any tax return.

Senator DOUGLAS. You might define that as not being net income.

Senator CURTIS. Now, suppose one taxpayer gives nothing to good causes, and another one takes that income and gives generously, far beyond the average. Would you still tax him the same?

Senator DOUGLAS. Let me say I was very careful to lay this down as a general principle, and I personally feel that you may want to stimulate private philanthropy within reasonable limits, you may want to provide for old age, you may want to provide for education, these are all possibilities.

But I think the burden of proof should always be upon those who ask that they pay less taxes than others with equal incomes pay. The burden of proof is upon them, and the general principle seems to me to be correct.

Yet, I will very frankly say that I think the tax laws, and in many cases the tax interpretations, violate this principle, and the rigor of

the questioning to which Mr. Surrey—I will not say has been subjected—been exposed, indicates that this principle does not find as wide acceptance as I had hoped it would.

Senator CURTIS. That is all.

Senator DOUGLAS. That is all with me.

Senator KERR. Now, with reference to that, Mr. Chairman, and this is not in preparation for further questioning, Mr. Surrey, my failure to take advantage of the opportunity given me by the Senator from Illinois to agree with him as to the validity of the basic principle that equal income should be subject to equal taxation—

Senator DOUGLAS. Should, in general, be equal.

Senator KERR. That is not what you said. I heard what you said. I am not talking about what you read; I am talking about what you said.

The opportunity to agree with that was a boobytrap because within 5 minutes he made two limiting statements about it. The first one was "generally speaking." The next one was that he meant net income.

Now, I accord him the ability to state his position as fluently and as articulately as any man that I know, and he is the most delightful opponent that I have ever encountered on the floor of the Senate—

Senator DOUGLAS. Thank you.

Senator KERR (continuing). And most courteous. I just did not want the impression to be created either before this group of people or the committee or the record that my failure to agree with him on a basic principle was in any way connected with my failure to subscribe to the principle. But due to the experience I have had, and the Senator's ability to explain and differentiate as to the application of the statement of a basic principle is such, that if anyone ever agrees with him there is not the remotest chance for anyone to know where he will eventually wind up on the ride that would be his following such a seeming agreement. [Laughter.]

Senator DOUGLAS. May I say, if this is true, I have learned from worthy masters in this committee. [Laughter.]

Senator KERR. Well, I appreciate that remark and it is, at least, as friendly, and certainly less critical than others that have been made with reference to the membership of this committee.

Senator DOUGLAS. May I say to my good friend from Oklahoma that if my name is ever submitted for nomination as Assistant Secretary of the Treasury I shall be very glad to submit to cross-examination on the part of the Senator from Oklahoma.

Senator KERR. Well, one of the questions—

Senator DOUGLAS. And Senator Anderson has said he would not vote for my confirmation. [Laughter.]

Senator KERR. I would never vote for the confirmation of the Senator from Illinois on the assumption that he had an open mind. [Laughter.]

If I did so it would be because of my high respect and my high regard and esteem for him, but not on the assumption that he had an open mind.

Senator ANDERSON. Mr. Chairman, I made my observations strictly nonpartisan. I said that on the basis of the cross-examination back and forth between the Senator from Nebraska and the Senator from

Illinois I would not vote to confirm either one of them this morning. [Laughter.]

Senator CURTIS. I might say I am not anticipating a Presidential appointment. [Laughter.]

I have no hard feeling of disappointment.

Senator KERR. I take some encouragement from that. [Laughter.]

I had hoped that the country generally would assume that our friend, the great President in the White House, would have another term, and I think the Senator from Nebraska has given me some basis for that hope in that the only reason that he would not have hope of a presidential appointment would be on the basis that there would continue to be a Democrat in the White House.

Senator CURTIS. That is a good hope.

Senator WILLIAMS. Mr. Chairman, now that we have confirmed the Members of the Senate, I would like to ask Mr. Surrey just a few questions. [Laughter.]

In answer to the Senator from Oklahoma did I understand you to say that you are considering very favorably toward recommending counting these royalties on a capital gain basis for iron ores and, perhaps, other minerals?

Mr. SURREY. No. I am sorry; I said I was not familiar with the bill and, presumably, that the Treasury would have to study it.

Senator WILLIAMS. Then you are only studying that and keeping an open mind in that connection.

Mr. SURREY. It is the first time I saw the bill.

Senator WILLIAMS. In connection with the administration's recommendation for a new method of computing depreciation, are you contemplating any change in the present law as it relates to accelerated depreciation?

Mr. SURREY. I think I may not have made myself clear when I was discussing this with Senator Hartke.

The President said he would recommend a tax incentive for investment in plant and equipment. That is not intended to mean that the entire question of depreciation will have been considered with respect to that recommendation.

Senator WILLIAMS. Then you are expecting that his recommendations will be in addition to the existing law rather than in replacement of some of the provisions of existing law; is that correct?

Mr. SURREY. I think that is one of the matters that is under study, and it is certainly possible that a recommendation for a tax incentive for investment in plant and equipment, which could be through the credit route that several of the Senators asked me about, if it were followed, could be wholly apart from the question of depreciation, and that there would still be for consideration a study of what should be the regular treatment of depreciation year in and year out. Those would be separate matters under that approach.

Senator WILLIAMS. That gets down to the point: What is your opinion of the present or the existing law as it relates to accelerated depreciation?

Mr. SURREY. On that I am not in position presently to state.

The Treasury has under consideration a study of depreciation practices on the part of industry, and the results of revenue agents' examinations.

The tabulations of that study will likely not be concluded for a number of months. Until that data are available it is, I think, impossible to come to a conclusion on this question.

Senator WILLIAMS. Yes.

What is your personal opinion as to the existing laws that relates to the taxation of cooperatives?

Mr. SURREY. I beg your pardon?

Senator WILLIAMS. What is your personal opinion as to existing law as it relates to the taxation of cooperatives?

Mr. SURREY. That is a field in which I have not spent much time at all as a professor. Now, we have the matter along with other officials of the Government under consideration, and we have been conferring with people from both sides.

The subject would apparently be one in which there is an interest on the part of Congress; hearings were held by the Ways and Means Committee last year.

At the present moment I am not in position, I think, to give an opinion on what would be the appropriate treatment. It is under study in the Treasury Department.

Senator WILLIAMS. Just one further question: I noticed in the press the last couple of days, the Department of Justice, the Attorney General, has indicated a working arrangement that has been arranged between his Department and the Treasury Department. Could you describe that working arrangement as to what there is planned in that?

Mr. SURREY. No. I think that is an arrangement, if I understand it, between—with respect to enforcement; is that correct?

Senator WILLIAMS. Yes, that is right.

Mr. SURREY. Yes. That is a matter that I think the Commissioner can answer much better than I because I do not have all the details of it.

Senator WILLIAMS. Will the tax returns be made available to the Department of Justice for the consideration of the prosecution of cases other than those involving tax matters?

Mr. SURREY. I simply am not aware one way or the other of the working arrangements.

Senator WILLIAMS. You have not sat in on any of those?

Mr. SURREY. No, I have not, sir.

Senator WILLIAMS. That is all.

The CHAIRMAN. Mr. Surrey, I want, first, to say that I think you have made a frank witness. You have answered the questions as well as you could under the conditions. Of course, the committee has been handicapped by the fact that it was forced to resort to statements of yours made in articles and statements of some years ago. You have replied at times that these statements were made as a private citizen, and that as time goes on you may change those views.

May I ask if the report that you made to the President represents fully your views on your philosophy of taxation?

Mr. SURREY. No, sir; it does not in this sense: As of any given time one tries to give his views as completely as he can. One learns soon thereafter when more information becomes available to him, that the dimensions of the problem change, and one has to give consideration to attitudes, viewpoints, and information that were not available before.

I think in the tax field this is constantly the problem, and one has to have an open mind so that he is receptive to the new information that comes to his attention.

The CHAIRMAN. It was the latest expression of your views on taxation, I assume, when it was prepared?

When was it prepared?

Mr. SURREY. It was in December, and I have learned since December information I did not have as of December.

The CHAIRMAN. Could it be that the reason the President has not made this public is because you would want to revise the recommendations you made to him then?

Mr. SURREY. No. I do not know one way or the other on that, but I just wanted to indicate—and this is not any attempt, sir, to avoid your question, it has just been borne in on me in the months I have been sitting in the Treasury, what a vast amount of information becomes available sitting in the Treasury Department.

The CHAIRMAN. If you were asked to head another task force would you make other recommendations?

Mr. SURREY. I beg your pardon?

The CHAIRMAN. If you had another task force, now, for example, would you make a different report from the one you made on December 31?

Mr. SURREY. I think on some of the matters here and there touched on, I think that my views might well be different.

Might I add this: I think in 2 or 3 months from now my views on other matters would be different than today if new information becomes available.

The CHAIRMAN. I think the rigor of the examination, as expressed by Senator Douglas, comes from the fact that the committee was forced to rely upon the statements which you made covering broad fields years ago.

Now, have you any expectation that this report that you made to the President will be made public?

Mr. SURREY. I just do not know one way or the other, Senator, on that.

The CHAIRMAN. I have been requested, Mr. Surrey, by members of the committee to write you a letter asking for a full expression of your views which may parallel, perhaps, the report you made to the President, and I assume that would be entirely proper.

The President is unwilling to release the report, notwithstanding the fact that he has nominated you for this position. Perhaps this is the most important position, in respect to taxation in the Government. It must be presumed that your recommendations will receive support by the Secretary of the Treasury and others.

So I want to say to you, sir, if we prepare such a letter its purpose would be to do justice to you as well as to ourselves, because your philosophy of taxation is not entirely clear by reason of the statements you have made in the past, which you now think should be reconsidered.

I assume you would now be prepared to give an up to date reply to the committee as to your philosophy in response to the questions set forth in such a letter.

Senator ANDERSON. Might I ask, Mr. Surrey, did you sign this report as your sole work or were there some other people with you on the panel?

Mr. SURREY. This was a composite report.

Senator ANDERSON. Were you responsible for the thinking of the other four people?

Mr. SURREY. No, sir. This was a composite report of the group. It was not solely my views.

Senator ANDERSON. That is what I understood it to be.

The CHAIRMAN. Didn't you prepare the report actually?

Mr. SURREY. This group had a number of meetings. The draft was gone over by every member of the task force. Every member of the group went over it. There was consultation with other persons, and this was not my—

The CHAIRMAN. But you agree wholly with the report, do you not? You did not dissent?

Mr. SURREY. I think we all agreed that it was a consensus of a group. This would be the consensus of the group.

The CHAIRMAN. Has the President ever given you any reason why he did not make it public?

Mr. SURREY. The President has not given me any reason on this. I am only stating my assumption that it was a matter which, since it was written to him confidentially—

The CHAIRMAN. It was given to him confidentially?

Mr. SURREY. Given to him confidentially, and I do not know whether he wanted to discuss it with other members of the administration or not. Maybe he felt that in the tax field it was inappropriate to release a report of this nature because this was a matter that should await a tax message to the Congress and that tax matters of this nature should be handled in the traditional fashion of a tax message to the House Ways and Means Committee, and perhaps that may have been in his mind.

Senator KERR. As I understand the chairman's question it was totally disassociated from the report, and it was on the basis that it would be had there been no report, as I understood he asked Mr. Surrey, if he would submit to him a letter with certain questions, would Mr. Surrey give the committee his views on those questions.

Senator ANDERSON. I would agree, Mr. Chairman. I think that is entirely proper.

I would only say that I would not see any way by which Mr. Surrey could compel the President of the United States to release the report.

The CHAIRMAN. I did not ask for that. His task force report on taxation was not made public. I simply pointed this out in explanation of the unusual procedure of asking for written answers to written questions.

Senator ANDERSON. Mr. Chairman, I think it is perfectly obvious why the report is not made public. I received from investment counsel a recommendation with reference to a certain security. I could not quite understand it, and I wrote to one of the best known investment firms in the country and asked if the man who sent me that would explain privately to me his recommendation.

Now, if the taxation of that individual industry came before the committee, I would not think I should be required to produce the letter sent to me in confidence.

The President of the United States asks for some information, and a committee gave it to him. It seems to me that the President of the United States is the only person that can turn that loose. I quite agree it is proper for the chairman to ask for the views in writing of the individual.

The CHAIRMAN. That is what has been proposed. Thank you, Mr. Surrey.

Mr. SURREY. Thank you, Mr. Chairman.

The CHAIRMAN. The next nomination is that of Robert Huntington Knight, of Connecticut, to be General Counsel for the Treasury. Mr. Knight, will you make your statement.

STATEMENT OF ROBERT HUNTINGTON KNIGHT, NOMINEE TO BE GENERAL COUNSEL FOR THE TREASURY

Mr. KNIGHT. Mr. Chairman, and gentlemen, I have no prepared statement. I understand there has been submitted to the members of this committee a brief biographical summary of my career to date. (The biographical sketch follows:)

ROBERT HUNTINGTON KNIGHT

Place and date of birth: New Haven, Conn., February 27, 1919. Father: Earl Wall Knight (deceased). Mother: Frances Pierpont Whitney Knight, Albemarle County, Va.

Education: Phillips Academy, Andover (1936); Yale University (B.A. 1940); University of Virginia Law School (LL.B. 1947). Law school honors: editor-in-chief, Law Review; president, Moot Court; member of various honorary and social organizations.

Married: Alice Vallé, December 14, 1940. Children: Five. Residence, 2008 N Street NW., Washington, D.C.

Brief career summary:

1940-41: Account executive, John Orr Young, Inc. (advertising agency), 610 Fifth Avenue, New York, N.Y.

1941-45: U.S. Army Air Force (honorably separated).

1947-49: Assistant professor, University of Virginia Law School.

1949-54: Associate, Shearman & Sterling & Wright (law firm), 20 Exchange Place, New York, N.Y.

1955-58: Partner, Shearman & Sterling & Wright.

November 10, 1958, to January 20, 1961: Deputy Assistant Secretary of Defense (International Security Affairs).

Memberships: Member of New York State Bar and a number of professional, social, and charitable clubs and organizations.

Mr. KNIGHT. I have also submitted to the chairman of the committee a letter which sets forth the disposition which I have made of my affairs 2 years ago when I accepted a position in the office of the Secretary of Defense, and if confirmed, I would intend to continue the arrangement of my affairs in this pattern.

As General Counsel to the Treasury, my job is to render legal advice primarily rather than to formulate policy. To the extent that the committee may be interested in my views, I might say that I have read the statements very carefully which have been made by Secretary Dillon before this committee, and others, and I am in general accordance with his views.

I will be glad to answer any questions you might have, sir.

The CHAIRMAN. Is there any conflict of interest? Have you gone into that? Have you submitted to the committee a statement on the question of the conflict of interest?

Mr. KNIGHT. Yes, sir. I have submitted a letter to the chairman setting forth the facts in this regard.

The CHAIRMAN. There is no conflict of interest?

Mr. KNIGHT. In my opinion, none at all, sir.

The CHAIRMAN. That letter will be inserted in the record.

(The document referred to follows:)

WASHINGTON, D.C., February 14, 1961.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I am advised that the President is proposing that the U.S. Senate confirm my appointment to the Office of General Counsel of the Treasury. This letter sets forth the disposition which I made of my private affairs in connection with my recent service in the Office of the Secretary of Defense and which continues to date.

1. On November 3, 1958, I withdrew from the private practice of law with the partnership of Shearman & Sterling & Wright, 20 Exchange Place, New York, N.Y., and, pursuant to a settlement agreement, I divested myself of my right to share in fees earned by that partnership after the date of my withdrawal.

2. All of my personal security holdings have been converted to cash, savings accounts, or obligations of the U.S. Government.

3. Prior to my departure from New York in 1958, I resigned from any and all connections with private organizations or enterprises for profit.

My wife and children are beneficiaries in common with other relatives of my wife of certain trusts created by ancestors of my wife. However, I exercise no control or influence over the composition of the corpus of these trusts or over policies affecting distributions made therefrom.

I shall be happy to answer any questions that you or other members of the committee may wish to address to me concerning the foregoing or any other arrangements that would seem advisable to assure compliance with the letter and spirit of laws concerning conflicts of interest. You may be assured that I have taken every step that has occurred to me as appropriate to that end.

Respectfully,

ROBERT H. KNIGHT.

The CHAIRMAN. Are there any questions?

Senator ANDERSON. Are you a registered—are you registered as a voter in either party?

Mr. KNIGHT. I am not presently registered, no, Senator.

Senator ANDERSON. When you were last registered, were you registered as a Republican?

Mr. KNIGHT. Yes, sir, I was.

Senator ANDERSON. When did you change or haven't you changed? Did you change your registration?

Mr. KNIGHT. No. It expired.

Senator ANDERSON. Then you are still registered?

Mr. KNIGHT. I have not been eligible to vote for the last several years.

Senator ANDERSON. Has it expired? Don't you remain registered?

Mr. KNIGHT. I did not have an opportunity to register at the last time for registration. I sold my residence in Connecticut, and I have been living in Washington since that time.

Senator ANDERSON. For how long?

Mr. KNIGHT. Since November 1958.

Senator ANDERSON. Do they have an absentee ballot law there?

Mr. KNIGHT. Yes, sir. But I was not registered under the laws of Connecticut. One has to register under the laws of Connecticut annually, and I did not have that opportunity.

Senator ANDERSON. I do not follow you. Weren't you living in Connecticut in November 1958?

Mr. KNIGHT. Until November 1958; yes, sir, I was.

Senator ANDERSON. So you could have gotten a ballot?

Mr. KNIGHT. In 1958, yes, sir.

Senator ANDERSON. Yes. Did you?

Mr. KNIGHT. No, I did not. In 1959 my registration expired, and it was not renewed.

Senator ANDERSON. You could have kept it alive even though you were living in Washington?

Mr. KNIGHT. I was living in Washington—I believe that I could not—I was unable to take the time away from my duties to go to Connecticut at the proper time.

Senator ANDERSON. You are an attorney?

Mr. KNIGHT. Yes, sir.

Senator ANDERSON. I am not, so I speak freely on these legal points. But couldn't you qualify? The mere fact that you moved your family to Washington does not deprive you of the right to have a legal residence in Connecticut, does it?

Mr. KNIGHT. No, it does not, sir.

Senator ANDERSON. Was it your lack of interest in politics, then?

Mr. KNIGHT. No, it was not.

My family, after November 1958, were living here in Washington, and I sold my residence in Connecticut. However, I intend to return to Connecticut and I assume that Connecticut is the place of my legal residence.

Senator ANDERSON. What effort was it to register?

What do you have to do to register?

Mr. KNIGHT. You have to go in person to the proper place annually, if I recall, and register.

Senator ANDERSON. And you have not been to Connecticut since 1958?

Mr. KNIGHT. Not at the proper time for registration.

Senator ANDERSON. Is there a limited time in which you can register, a specific day?

Mr. KNIGHT. There is, I believe, a limited period for each election; yes, sir.

Senator KERR. Is your residence in Connecticut such that you could now register there if you were there at the proper time, or would you again have to establish your residence there in accordance with their law?

Mr. KNIGHT. I believe—I am sorry, but I am not wholly familiar with the requirements in that regard. I might very well have to produce a proof of residence, which I might not be able to now, not owning a place to live in Connecticut.

Senator WILLIAMS. Mr. Chairman, I join both the Senator from New Mexico and the Senator from Oklahoma in urging you at the next registration day that you try to register and continue with your support of the Republican Party.

Senator DOUGLAS. Mr. Chairman, may I say that I intend to vote for the confirmation of Mr. Knight, even though he was a Republican or if he becomes a Republican again. And may I say that I think this administration has set an example which the previous administration did not set in appointing a number of people of the opposite

political faith, and in this respect we have set an example which I hope the party of my friend from Delaware will follow if the country should ever be sufficiently unfortunate to have them assume national power once more.

Senator WILLIAMS. As I recall correctly, there were a few appointed before, although I will say again I congratulate the Senator from Illinois likewise on the fact that his administration is patterning after some of the good practices established under the preceding administration. I hope they will follow through.

Senator DOUGLAS. The previous administration virtually appointed no Democrats at all.

Senator WILLIAMS. Who was the first Secretary of Labor?

Senator DOUGLAS. One man.

Senator KERR. And he, if I remember correctly, could not take it. The environment was so frigid, he could not take it.

Senator ANDERSON. My interest in this is as follows:

Mr. Dillon is also a registered Republican. You worked for Mr. Dillon apparently in the State Department?

Mr. KNIGHT. No, sir; I was in the Defense Department.

Senator ANDERSON. International Security Affairs?

Mr. KNIGHT. Yes, sir.

Senator ANDERSON. Was it he who brought you into this position?

Mr. KNIGHT. I believe he recommended me for it; yes, sir.

Senator ANDERSON. So he naturally would probably turn to a Republican.

Senator DOUGLAS. May I say I think Mr. Dillon has made excellent appointments, and I do not think we should hold it against Mr. Knight because he was a registered Republican, and I think it is a further indication of the broadmindedness of the present administration.

Senator WILLIAMS. Not only should not hold it against him, but you should compliment him.

Senator ANDERSON. I am not arguing the point. Some of us are trying to get Democrats appointed, and we are having a hard time.

Senator WILLIAMS. Well, we want good qualified men.

Senator ANDERSON. I have no further questions.

Senator KERR. I just want to say this, Mr. Knight: I think you are an able man and a good man, and Mr. Dillon is fortunate to have you. I just do not want you to either be intimidated or seduced by the partisan remarks of the members of this committee. [Laughter.]

The CHAIRMAN. Are there any further questions?

Thank you, Mr. Knight.

Mr. KNIGHT. Thank you very much, Mr. Chairman.

The CHAIRMAN. The next nomination is that of Boisfeuillet Jones of Georgia, to be special assistant on health and medical affairs to the Secretary of Health, Education, and Welfare.

Senator Talmadge.

Senator TALMADGE. Mr. Chairman, I would like to make a statement regarding the nomination of Mr. Boisfeuillet Jones.

I have known Boisfeuillet Jones for some 12 or 13 years as a personal friend.

His character is excellent, he is experienced, he is dedicated, he is hard working, and I think he will do an outstanding job in the

position that the President has nominated him for, and I urge this committee to advise and consent to his nomination.

The CHAIRMAN. Thank you, Senator Talmadge.

Mr. Jones, would you care to make any statement for the committee?

STATEMENT OF BOISFEUILLET JONES, NOMINEE TO BE SPECIAL ASSISTANT ON HEALTH AND MEDICAL AFFAIRS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Mr. JONES. Mr. Chairman, I have presented to the committee a brief biographical sketch. I have no prepared statement to make. I will be glad to respond to any questions.

(The biographical sketch of Mr. Jones follows:)

BOISFEUILLET JONES

Born: Macon, Ga., January 22, 1913.

Education: Emory University, Atlanta, Ga., B. Ph., 1934; LL.B., 1937; Atlanta elementary and high schools.

Positions held:

Emory University, 1946, vice president and administrator of health services, 1954; dean of administration, 1948-54; assistant to the president, 1946-48; assistant professor of political science, 1946-52.

Lieutenant, USNR, Bureau of Ordnance, Washington, D.C., 1943-46.

National Youth Administration, 1935-43, Georgia State administrator, 1940-42; regional administrator, 1942-43.

Community activities:

Director, Protestant Radio and Television Center.

Director, Atlanta Speech School, Inc.

Member, National Advisory Health Council, 1956-60.

Chairman, Committee of Consultants on Medical Research, U.S. Senate Committee on Appropriations, 1959-60.

Member, Commission on Human Medicine, Southern Regional Education Board, 1948-49.

Member, Advisory Committee on Health Policy, Democratic National Committee, 1960.

Member: Omicron Delta Kappa (leadership), Phi Delta Theta (social), and Phi Delta Phi (legal) fraternities; American Academy of Political and Social Science; number of professional organizations.

Political affiliation: Democrat.

Marital status: Married Anne Baynon Register; two children, Laura and Boisfeuillet. Home address: 2701 N Street NW., Washington, D.C.

Designated position: Special Assistant to the Secretary (Health and Medical Affairs), Department of Health, Education, and Welfare.

The CHAIRMAN. You have a strong recommendation by Senator Talmadge, and that goes far in this committee.

Mr. JONES. Thank you, sir.

The CHAIRMAN. Are there any questions?

Thank you very much, Mr. Jones.

Mr. JONES. Thank you.

Senator ANDERSON. Herman Talmadge did everything for you that needs to have been done.

Mr. JONES. Yes, sir.

The CHAIRMAN. The committee will recess until 2:30, when we will take up the nominations of Thomas D'Alesandro, Jr., to be a member of the Renegotiation Board, and Mr. Wilbur J. Cohen, to be an Assistant Secretary of Health, Education, and Welfare, and others.

(Whereupon, at 12:30 p.m., the committee recessed, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The Chair recognizes the Senator from Maryland, Mr. Beall, to present the first witness.

Senator BEALL. Mr. Chairman, I have the honor of presenting to this committee the Hon. Thomas D'Alesandro, Jr., whom the President has nominated for Renegotiation Commissioner.

I would like to say, Mr. Chairman, I have known Mr. D'Alesandro for approximately 40 years.

We served in the Maryland Legislature together; we served in the House of Representatives in Washington for some 8 or 10 years together.

Mr. D'Alesandro was elected three times mayor of Baltimore. He served his State and his city with distinction and credit, and it is a great pleasure for me to recommend him not only because of my personal knowledge of Mr. D'Alesandro but because I recognize his ability as an administrator.

He demonstrated his ability in operating very successfully and commendably the sixth largest city in the United States, the city of Baltimore, and I do ask the favorable consideration of this committee.

Mr. Chairman, I would also like to add the endorsement of my colleague, Senator John Marshall Butler who is necessarily absent today. Thank you.

The CHAIRMAN. Thank you very much.

Senator ANDERSON. Mr. Chairman, can I say that I served some time in the House of Representatives with Mr. D'Alesandro, and I have a very fine impression of him. I know a good deal about the work he did in Baltimore, and I would like to second and support what Senator Beall has said.

Senator KERR. Mr. Chairman, I would like to ask the witness a few questions.

The CHAIRMAN. Senator Kerr.

Senator KERR. As I look at you and I look at Senator Beall and I look at Senator Anderson I see a great differential or what appears to be a great differential in your age. Are there any young men with whom you are acquainted? [Laughter.]

STATEMENT OF THOMAS D'ALESSANDRO, JR., NOMINEE TO BE A MEMBER OF THE RENEGOTIATION BOARD

Mr. D'ALESSANDRO. I have six sons and a daughter, and seven grandchildren, Senator.

Senator KERR. Well, that neither impairs nor enhances your qualifications for this position. I am just asking you, are you acquainted with any youth other than your own family who might vouch for you here?

Mr. D'ALESSANDRO. Yes, the President of the United States. [Laughter.]

Senator KERR. There are those who had indicated they thought he was somewhat youthful. I have thought he was more mature than that, but maybe that will serve.

The CHAIRMAN. Do you have a statement to make with respect to any conflict of interests?

Mr. D'ALESSANDRO. No, Mr. Chairman.

The CHAIRMAN. Are there any questions?

(No response.)

The CHAIRMAN. Thank you very much.

Mr. D'ALESSANDRO. Thank you, Senator.

The CHAIRMAN. Thank you, Senator Beall.

(The biographical sketch of Mr. D'Alessandro follows:)

THOMAS D'ALESSANDRO, JR.

Born: Baltimore, Md., August 1, 1903.

Mayor of Baltimore, Md., 1947-59. (Legislative chairman, U.S. Conference of Mayors, 1947-59, representing conference before Senate and House committees on matters pertaining to municipalities.)

Member of Congress 1939-47; 76th, 77th, 78th and 80th Congress.

Served on following committees: Appropriations, Interstate and Foreign Commerce, Labor, Patents, Invalid Pensions, District of Columbia.

Member, Baltimore City Council, 1935-38.

Served as general deputy.

Collector of internal revenue, 1933-34.

Member, Maryland State Legislature, 1927-33.

Served as Democratic national committeeman for Maryland, 1953-57.

Education: St. Leo's Parochial School, Baltimore, Md.; Calvert Business College, Baltimore, Md.; honorary degree, doctorate in business administration, University of Maryland.

Private business: Thomas D'Alessandro & Son, Insurance, 210 East Redwood Street.

Residence: 245 Albemarle Street, Baltimore, Md.

The CHAIRMAN. The Chair recognizes Senator McNamara and Senator Hart.

Senator McNAMARA. Thank you, Mr. Chairman.

Knowing the tremendous amount of work the committee has had, I will be as brief as possible.

Senator ANDERSON. Would the chairman indulge me for just a moment? I have been called to a meeting at another spot because of a situation in another part of the world, and I cannot remain, and if the two Senators would permit me to do so, I would like to say, Mr. Chairman, that I have known Wilbur Cohen for a good many years, and I have been engaged in some of the same places or similar places in which he has been engaged in connection with unemployment compensation. He was the first director of unemployment compensation in my State in 1936, and I have known a good deal about him, and I merely want the record to show that I endorse him wholeheartedly and vigorously, and would be happy to stay here and testify at length for him if the opportunity permitted.

I have to be at the Capitol by 3 o'clock, so I was afraid I might get into conflict. I apologize, Senator McNamara, and Senator Hart for breaking in, but I did desire to make that brief statement.

The CHAIRMAN. Thank you, Senator Anderson.

Senator McNamara, you may proceed.

Senator McNAMARA. Thank you very much, Senator.

Mr. Chairman, I consider it a privilege and pleasure to present to this committee Mr. Wilbur Cohen—a good citizen of Michigan—who has been nominated by the President for Assistant Secretary of the Department of Health, Education, and Welfare.

Mr. Cohen is nationally known as one of the soundest authorities in the field of social welfare in the country. At the University of Michigan he has made notable contributions toward the training of students and practitioners in this field.

I have known Mr. Cohen for a number of years and have benefited from his advice and counsel.

He is a man who has earned profound respect for his ability—his expert knowledge and his personal capacity for working well with people—both in the executive branch of the Government and with Members of the Congress.

He served—for the past 2 years—as consultant for the Senate Subcommittee on Problems of the Aged and Aging—of which I had the privilege of being chairman—and before that to the full Committee on Labor and Public Welfare.

I am proud of the fact that Mr. Cohen is a resident of Michigan and a distinguished professor at the School of Social Work of the University of Michigan.

He has been called upon time after time by Governors and legislators—of both parties in our State—to assist in developing legislative programs to meet the State's social and economic needs.

Mr. Cohen has dedicated his life to service to his country and to making the public service a life of distinction and contribution.

I know of no one more devoted to this Nation of ours—and more dedicated to achieving the great purposes of our Founding Fathers:

I want to again thank you for the privilege of appearing here and introducing this distinguished citizen of our State.

The CHAIRMAN. Thank you, Senator McNamara.
Senator Hart?

Senator HART. Mr. Chairman, thank you very much. I am here simply to say "Amen" to all that my senior colleague has said. We are very proud of Wilbur Cohen in Michigan, and I hope the committee will vote favorably for him.

The CHAIRMAN. Mr. Cohen, you can proceed, sir, to make a statement if you care to do it.

STATEMENT OF WILBUR J. COHEN, NOMINEE TO BE ASSISTANT SECRETARY, HEALTH, EDUCATION, AND WELFARE

Mr. COHEN. My name is Wilbur J. Cohen. I am professor of public welfare administration at the University of Michigan on leave. I have a full biographical statement here, if you will like to have it introduced into the record.

The CHAIRMAN. Without objection it will be inserted in the record.
(The biographical sketch of Mr. Cohen follows:)

BIOGRAPHICAL INFORMATION, WILBUR J. COHEN, ASSISTANT SECRETARY-DESIGNATE OF HEALTH, EDUCATION, AND WELFARE

Professor of public welfare administration, School of Social Work, the University of Michigan, Ann Arbor, Mich., 1956-61.

Director, Division of Research and Statistics, Social Security Administration, Department of Health, Education, and Welfare, 1959-56.

Graduate of the University of Wisconsin, (labor economics) 1934. Received John Lendrum Mitchell memorial gold medal for the outstanding thesis in industrial relations on "A History of the International Association of Machinists; 1911-28."

Assistant to the Executive Director (Edwin E. Witte) of President Roosevelt's Cabinet Committee on Economic Security (1934-35) which drafted the original Social Security Act. Technical adviser to the Chairman of the Social Security Board (Arthur J. Altmeyer) and to the Commissioner for Social Security (1935-52) in charge of program development and legislative coordination work with Congress.

Chairman of the Tripartite Committee on Health, Welfare, and Pensions of the Wage Stabilization Board, 1951, which recommended policy, and Chairman of the Committee, 1952, which administered the stabilization program for such plans.

Member: Advisory Council on Public Assistance, 1959 (appointed by the Secretary of Health, Education, and Welfare); Committee on Pension Costs and the Older Worker, 1956 (appointed by the Secretary of Labor); State Council of Health, Michigan, 1960 (appointed by the Governor); Consultants Committee to the Children's Bureau, 1960 (appointed by the Chief of the Children's Bureau).

Represented the U.S. Government in international conferences on Social Security in Brazil, Chile, Mexico, Argentina, and Venezuela, to the International Conference of Social Work in India (1952) and to the International Labor Conference (1946 and 1951).

Author of "Retirement Policies in Social Security," University of California Press, 1957. Coauthor of the books, "Readings in Social Security," (with William Haber) 1948, and "Social Security: Programs, Problems, and Policies" (with William Haber) 1960. Author of various articles and reports on employee benefit plans, retirement, social security, medical care, and aging, in the Encyclopedia Britannica, Public Welfare, Social Service Review, Industrial and Labor Relations Review, Social Work Yearbook, American Journal of Nursing, and other professional journals.

Received the Distinguished Service Award, Department of Health, Education, and Welfare, 1956 in recognition of exceptional service in the development of social security programs; received the National Conference on Social Welfare Award, 1957 for outstanding contributions to social welfare; received Distinguished Service Award, Group Health Association (Washington), 1956.

Director, Division of Employment, Welfare, Retirement, Second International Gerontological Conference, 1951; consultant on aging, Senate Committee on Labor and Public Welfare (U.S. Congress), 1956-57, 1959; consultant on aging, United Nations, 1956-57; chief consultant, Committee on Neighborhood Goals, National Federation of Settlements and Neighborhood Centers, 1957-59; consultant, Social Security Administration, 1956-60; chairman, Advisory Council, Retirement Advisers, Inc., 1958-60; chairman, Governor's Study Commission (Michigan) on Public Health, 1956-57; member, Governor's task force on public health (Michigan), 1959; chairman, task force on health, Advisory Committee on Reorganization (Michigan), 1958; member, Advisory Committee on Employment Problems of Older Persons (Michigan) 1958-59; member, Advisory Committee for the White House Conference on Aging to the Michigan Commission on Aging, 1959-60; consultant, Planning Committee on the Impact of Inflation on Retired Citizens, White House Conference on Aging, 1959-60; vice chairman, American Parents Committee, 1960.

Visiting professor, School of Social Welfare, U.C.L.A., 1957.

Member: Editorial board, Social Work; Committee on Public Welfare Policy, American Public Welfare Association; Committee on Social Research, International Association of Gerontology; board of trustees, Group Health Association, 1950; executive committee, National Conference on Social Welfare, 1957-60; house of delegates, Council on Social Work Education, July 1, 1959, to June 30, 1962; Curriculum Committee, Council on Social Work Education, 1959-60; American Public Welfare Association, Council on Social Work Education, National Association of Social Workers, Royal Society of Health; National Council on the Aging; Industrial Relations Research Association; American Economic Association; American Public Health Association; Michigan Welfare League; Michigan Society of Gerontology; Commission on Social Policy and Action, National Association of Social Workers, 1957-62; board of directors, National Association of Social Workers, 1959-60.

Mr. COHEN. I was born in Milwaukee, Wis., went to the University of Wisconsin where I was trained as an economist under Prof. John R. Commons, Selig Perlman, and Edwin E. Witte. I later entered the Federal Government where I was connected for some 21 years with

the Social Security Administration and the predecessor agencies of the Department of Health, Education, and Welfare.

In 1956 I left the employment of the Federal Government, and became professor of public welfare administration at the University of Michigan from where I am now on leave.

I have included in my biographical statement, some of the books and papers I have written in this biography and some of the affiliations of a professional character.

In Michigan I have been a member by appointment to the Governor to the State board of health and to other health advisory committees, which are listed in my statement.

I was appointed by President-elect Kennedy to be the chairman of his task force on health and social security, and I have here a copy of task force report if you would like, Senator.

The CHAIRMAN. Do you desire that inserted in the record?

Mr. COHEN. If you would like, Senator. I have it here for insertion in the record.

The CHAIRMAN. Without objection it will be inserted in the record. (The document referred to follows:)

HEALTH AND SOCIAL SECURITY FOR THE AMERICAN PEOPLE

A report to President-Elect John F. Kennedy by the Task Force on Health and Social Security

MEMBERS

Wilbur J. Cohen, Chairman, professor of public welfare administration, the University of Michigan, Ann Arbor, Mich.

Dean A. Clark, M.D., general director, Massachusetts General Hospital, Boston, Mass.

James Dixon, M.D., president, Antioch College, Yellow Springs, Ohio

Herman M. Somers, Ph. D., chairman and professor, Department of Political Science, Haverford College, Haverford, Pa.

Robert E. Cooke, M.D., professor of pediatrics, Johns Hopkins University School of Medicine, Baltimore, Md.

Joshua Lederberg, Ph. D., professor of genetics, School of Medicine, Stanford University, Palo Alto, Calif.

Elizabeth Wickenden, acting director, project of public services for families and children, New York School of Social Work, Columbia University, New York City.

INTRODUCTION

The Task Force on Health and Social Security was appointed by President-Elect Kennedy to review from among the most pressing and significant health and welfare proposals those which should have priority in the initial phase of the new administration.

The recommendations of the task force consist of the following proposals:

A. MEDICAL AND HEALTH PROGRAMS

1. Medical care for the aged and other social security beneficiaries.
2. Medical education and medical manpower.
3. Medical research.
4. Medical care facilities.
5. Establishment of a National Academy of Health.
6. Creation of a National Institute of Child Health.

B. SERVICES FOR FAMILIES, CHILDREN, AND OLDER PERSONS

7. Assistance to children of an unemployed parent.
8. Preparation of a family and child welfare services plan.
9. Strengthening and streamlining administrative organization.

C. UNEMPLOYMENT INSURANCE AND SOCIAL SECURITY PROGRAMS

10. Improvement of unemployment insurance.
11. Improvements in the old-age, survivors and disability insurance program.
12. Improvements in public welfare.

The task force has had available to it the public recommendations of various groups, and a substantial body of data, including the information and conclusions in the following official reports which have been of inestimable value to it in making its recommendations:

1. "Federal Support of Medical Research: Report of the Committee of Consultants on Medical Research to the Senate Committee on Appropriations" (the Jones report), 1960.
2. "Physicians for a Growing America: Report of the Surgeon General's Consultant Group on Medical Education" (the Bane report), 1959.
3. "The Advancement of Medical Research and Education Through the Department of Health, Education, and Welfare" (the Bayne-Jones report), 1958.
4. "Hospitalization Insurance for OASDI Beneficiaries: Report Submitted to the Committee on Ways and Means by the Secretary of Health, Education, and Welfare" (the Flemming report), 1959.
5. "Report of the Advisory Council on Public Assistance" (the Mitchell report), 1960.
6. "Report of the Advisory Council on Child Welfare Services" (the Kidneigh report), 1959.
7. "The Condition of American Nursing Homes," a study by the Subcommittee on Problems of the Aged and Aging of the Senate Committee on Labor and Public Welfare (the McNamara committee), 1960.
8. "Report of the Special Committee on Unemployment Problems," 86th Congress, 2d session, Report No. 1206 (the Eugene McCarthy committee), 1960.

The task force urges the favorable consideration of the proposals discussed in this report.

HEALTH AND SOCIAL SECURITY FOR THE AMERICAN PEOPLE

An adequate standard of health and welfare for all of the American people requires the leadership and support of the Federal Government.

The American people have recognized and accepted the responsibility of the Federal Government to help improve health and welfare services. This principle requires effective implementation in 1961.

The task force has confined itself to the most immediate necessities for Federal action and does not present its recommendations as a complete program for health and welfare. We have been deeply conscious of the need for selectivity in the light of the cost of such proposals in relation to the other imperative and immediate fiscal and administrative demands upon the Federal Government. We have also been concerned about the most effective and practical methods of meeting these costs and are proposing fiscally sound methods to achieve the desired objectives. Our proposals place a major reliance on the self-financing methods of contributory social insurance and repayable loans supplemented only where clearly necessary by funds from the general revenues.

A. MEDICAL AND HEALTH PROGRAMS

The United States can be proud of its remarkable and continually improving health and medical care personnel, facilities, and programs. Yet, in our country there are still significant medical care needs which can and should be met and which can only be met if the Federal Government takes a more vigorous role in the financing, organization, and stimulation of health and medical care.

1. MEDICAL CARE FOR THE AGED AND OTHER SOCIAL SECURITY BENEFICIARIES

The only sound and practical way of meeting the health needs of most older people is through the contributory social security system. This system permits people to contribute during their working years to the relatively heavy costs of medical care in their later years. Full freedom in the choice of qualified physicians and medical facilities would be assured. The proposal uses the tried and tested insurance method of payment for hospital and medical care with which millions of Americans of working age are familiar through Blue Cross and other private insurance. The same general considerations apply to widows, surviving children, and permanently disabled persons who are receiving social security payments.

Scope of medical care benefits

Hospital and related institutional costs place such an impossibly heavy financial burden on those groups of people that these costs should receive the major emphasis in any program. Moreover, the hospital is increasingly becoming the center of health activities in the community, as it should be. But at the same time the plan should include incentives to use appropriate alternative personnel and facilities of a less costly and noninstitutional character.

The essential benefits in any such program at this time should include:

- (1) Inpatient hospital services;
- (2) Outpatient hospital diagnostic services;
- (3) Skilled nursing home services; and
- (4) Home health services, such as visiting nurse services.

The inpatient and outpatient hospital services would be effective approximately 1 year after enactment of the legislation. To give time to make necessary arrangements skilled nursing services and home health services would be available 2 years after enactment. By including in the legislation provisions which would give an individual two units of skilled nursing home service for 1 day of hospital service and adequate home health services there would be an incentive to use these out-of-hospital services.

There are those who contend that there are not sufficient personnel and facilities to make it feasible to put this program into effect at this time. Certainly, incentives should be created for the establishment of additional personnel and facilities as recommended subsequently in this report. But this should not be a reason for delay in instituting an insurance program. One of the most important ways in which personnel and facilities are stimulated and more equitably distributed is by providing a mechanism for paying for such services. Assurance of continued financial support for services is one of the key elements in the development of personnel and facilities.

Administration of medical care program

The legislation would clearly provide that:

- (1) In no way will any of its provisions socialize medical care;
- (2) Free choice of physician, hospital, and nursing home are assured to every individual by law;
- (3) There would be no supervision or control over the practice of medicine;
- (4) Providers of service would be paid on the basis of reasonable cost as may be mutually agreed to by the provider of service and the Secretary of Health, Education, and Welfare and any agreement could be terminated upon notice by either party;
- (5) Providers of service could designate an agent to negotiate arrangements with the Federal Government;
- (6) A national advisory council would be established including outstanding persons in the hospital and health fields. The council would be consulted in the development of policy and regulations in the administration of the program.
- (7) General definitions for participating hospitals, skilled nursing homes, and agencies providing home health services would be indicated in the statute. The Secretary should be authorized to use appropriate State agencies in determining whether a particular hospital, skilled nursing home, or home health agency meets the definition for participation.

Financing of the medical care program

The cost of the medical care benefits should be fully financed by contributions to the insurance system. The costs of various alternatives are shown in the table.

Estimates of early year¹ and level premium cost² for the Anderson-Kennedy amendment of 1960 and various suggested modifications

(As a percent of taxable payrolls)

Specifications of medical insurance plan	Early year costs with taxable earnings base of—		Level premium costs with taxable earnings base of—	
	\$4,800	\$7,200	\$4,800	\$7,200
A. Anderson-Kennedy amendment ³	0.39	0.34	0.58	0.58
B. Anderson-Kennedy amendment with elimination of \$75 deductible.....	.47	.41	.72	.65
C. Anderson-Kennedy amendment in (A) plus eligibility at age 65/62.....	.53	.46	.73	.66
D. Anderson-Kennedy amendment in (A) plus eligibility at age 65/62 and elimination of \$75 deductible.....	.64	.56	.91	.83
E. Anderson-Kennedy amendment in (C) plus survivors and disabled beneficiaries.....	.57	.50	.77	.70
F. Anderson-Kennedy amendment in (D) plus survivors and disabled beneficiaries.....	.69	.61	.96	.88

¹ Early year costs are defined as the costs for the year 1962 assuming all features of the program are fully operative for the entire year.

² Level premium cost is the average cost for the long run.

³ As offered in the Senate, August 1960. The amendment included insured persons age 68 and over.

Source: Chief Actuary, Social Security Administration, Jan. 5, 1961. The estimates differ slightly from those used in mid-1960 due in part to the 1960 changes in the OASDI program and some revisions in the assumptions.

A plan which involved initial contributions of about 0.5 percent of taxable payrolls (one-quarter percent each on employers and employees) during the first 5 to 10 years and then stepped up contributions to about 0.8 percent (0.4 percent on each party) would permit the development of a reasonable adequate benefit program consistent with a consideration of the financial effect of the new contributions on the contributors and the economy.

The contributory insurance system should be authorized to provide funds for:

- (1) Community demonstration projects relating to the development of personnel and facilities to meet the health needs of individuals under the program;
- (2) Community projects on the means to increase the adequacy of personnel and facilities;
- (3) Consultative services to the States looking toward methods for helping develop adequate facilities within each State, and bringing their services and their facilities up to needed levels of performance.

The Secretary should make recommendations to the President and the Congress to encourage the development of economical and appropriate forms of health care which are a constructive alternative to hospitalization.

Coverage of aged not insured under social security

Many of the noninsured aged are already protected under other existing programs. Thus, under recently enacted provisions of law Federal civil service annuitants will soon have medical care protection. Veterans who are eligible for veterans' pension or compensation are entitled to hospitalization. Accompanying legislation can be enacted by Congress so that railroad retirement annuitants will have benefits no less favorable than social security beneficiaries. The small remaining group can be taken care of by the States under the new program of medical assistance to the aged. Enactment of the medical insurance plan will relieve the States of a substantial long-run cost involving probably more than \$300 million annually. If experience demonstrates that the existing financial or other plan provisions of the Federal medical assistance legislation are not adequate to meet this residual need, then further Federal legislation can and should be enacted as the need is demonstrated.

The benefit, financing, administrative, and other implications and alternatives in this program have been discussed with the Commissioner of Social Security. The details of a sound and workable plan consistent with the above program are in the process of completion by the Commissioner for the consideration and appropriate action of the incoming Secretary of Health, Education, and Welfare.

2. MEDICAL EDUCATION AND MEDICAL MANPOWER

In order to achieve the administration's objective with respect to medical care for the aged as well as the health of the population as a whole, it is essential that the Federal Government take prompt action to increase the supply of medical and other health personnel including physicians, dentists, nurses, public health personnel, and social workers. It is a matter of national concern that according to the Bane report to the Surgeon General 40 percent of all medical students come from the 8 percent of the families with the highest incomes.

A program for medical education and medical manpower should consist of the following interdependent components which are listed in the order of urgency:

1. Federal support for maintenance and expansion of educational activities in the health field consisting of:

(a) A program for the basic support of operating costs to maintain these institutions.

(b) A program which would give institutions an incentive to expand the training of personnel.

This part of the program would involve Federal expenditures of approximately \$10 to \$20 million in the first year.

2. Federal aid for the construction of new educational facilities and renovation and expansion of existing facilities for the purpose of increasing the numbers of persons being trained in these fields. This would consist of:

(a) Planning grants to institutions to achieve these objectives (\$400,000).

(b) Alteration of existing facilities for expansion (\$25 million for first year).

(c) New construction of facilities including expansion of existing schools and establishment of new ones. Within this category, with regard to physician training, priority should be given to expansion of existing schools and the establishment of new 2 year schools. (The Federal commitment would be about \$25 million for the first year but actual expenditure would be substantially less.)

3. Federal grants to institutions for scholarships and fellowships for students. This would involve Federal expenditures of about \$10 to \$20 million for the first year. These educational grants should be available to students so they could attend a medical school without regard to residence or other arbitrary restrictions not related to the ability of the applicant.

The program recommended by the task force would involve Federal funds of about \$70 to \$90 million in the first year. The cost will increase to about \$270 million by the fourth year and is likely to remain at approximately that level. This is only about one-half of the existing research grant program of the National Institutes of Health. The expenditure of these sums is essential for national growth and effective performance.

3. MEDICAL RESEARCH

The needs for medical research and research education have been admirably documented in the report to the Senate Committee on Appropriations of the Committee of Consultants on Medical Research under the chairmanship of Boisfeuillet Jones. The principles and recommendations in the Jones report would well serve as a longer run guide to policy and appropriations in this field.

Federal support of the direct costs of medical research should be continued at approximately its present level for the next fiscal year. However, the educational and research activities of institutions receiving grants from the National Institutes of Health are handicapped at the present time by the limitation in the appropriation act on indirect costs. This limitation now at 15 percent of the direct cost does not cover the actual indirect expenses. This acts as a deterrent to new research and reduces the available institutional funds for educational purposes. The Federal Government as it does in other grants for research, should realistically meet the total costs of the research for which it makes grants through the National Institutes of Health. The first year cost would be about \$20 million additional if this policy were applied to initial and renewed research grants only. The longer run cost of this policy would be about \$50 million annually.

4. MEDICAL CARE FACILITIES

The proposed medical care for the aged program will require additional facilities to be constructed over a period of time. The Hill-Burton hospital construction program has resulted in a significant increase in hospital beds, especially in small communities. There still remains, however, a substantial need for the construction and renovation of kinds of facilities required for the care of the older age group, especially in urban areas.

The first emphasis should be given to the following components in a program for facilities expansion:

(a) An increase in existing Federal grants under the Hill-Burton Act for facilities for long-term care including public and nonprofit skilled nursing home and other chronic disease facilities (\$10 million annual increase).

(b) Long-term low-interest Federal loans for construction, renovation, and expansion of nonprofit hospitals and nursing homes according to approved State plans (\$100 million annually). A combination of loans and grants should be permitted.

(c) Long-term low-interest Federal loans for construction, renovation or expansion of facilities for medical group practice and group practice agencies or organizations (direct to the groups or agencies concerned, without the intervention of States) (\$5 million annually).

An exploration should be made of possible ways in which existing legislation relating to loans to proprietary skilled nursing homes under the Small Business Administration could be amended to increase the proportion of cost guaranteed up to 95 percent provided the homes met the standards of construction and continued operation prescribed by the U.S. Public Health Service as a part of a State plan.

The Secretary and the Surgeon General should take the leadership and initiative within existing legislation to encourage the development of outpatient diagnostic and treatment programs. Expansion of services in this setting will be of great importance to the successful operation of the medical care program for the aged.

5. ESTABLISHMENT OF A NATIONAL ACADEMY OF HEALTH

The President should take the necessary steps to arrange for the establishment of a National Academy of Health comparable to the National Academy of Sciences. The purpose of such a nongovernmental, independent Academy would be twofold:

(a) To recognize and honor the significant achievements of leaders in health research, teaching, care, and administration, and

(b) To insure a continuing body of recognized integrity, responsibility of purpose, and breadth of competence for advice to the Government and the public on questions affecting health.

6. CREATION OF A NATIONAL INSTITUTE OF CHILD HEALTH

As an important new step in a broader program for the improvement in family and child health and welfare services, the Surgeon General, with the approval of the Secretary, should, by administrative action establish a National Institute of Child Health within the National Institutes of Health. Such action would recognize the administration's concern not only with the welfare of the aged, but with its children and youth.

The establishment of the National Institute of Child Health would not require additional Federal expenditures for research for the fiscal year 1962. An allocation from existing funds should be made for an initial administrative organization. Subsequent allocations of funds would be included within the budget of the National Institutes of Health.

The high incidence of mental disease, the terrifying problems of juvenile delinquency, the burden on family and community resources for the care of the mentally retarded, all attest to the need for a concentrated attack on problems of the development of the child. Research into the physical, intellectual, and emotional growth of the child is at present severely handicapped by the absence of a central focus for research that exists in other fields such as heart disease and cancer. Within this Institute will be concentrated research workers in the fields of genetics, obstetrics, psychology, and pediatrics as well as basic scientists who will channel their efforts into the study of the normal processes of human maturation from conception through adolescence.

Such a research program will have a profound impact on the medical care and practice in this Nation by emphasizing the care of the whole individual rather than the fragmentation of the patient into particular diseases. The research grants from this Institute will stimulate programs necessary to ascertain those genetic and environmental factors that lead to the development of a physically and mentally healthy adult. Such an Institute should help bring to each child of this Nation—normal, gifted, or retarded—complete fulfillment of his true potential.

B. SERVICES TO FAMILIES, CHILDREN, AND OLDER PERSONS

A nation's strength lies in the well-being of its people: families, children, and older persons. Welfare services support this well-being in times of stress and constitute, therefore, an essential part of any effective social security program. It seems appropriate after 25 years that the welfare grant-in-aid provisions of the Social Security Act, especially those involving families and children, be reexamined to determine how they can be made more adequate to meet current social and economic needs. The following specific recommendations in this section are made with this objective in mind.

7. ASSISTANCE TO CHILDREN OF AN UNEMPLOYED PARENT

In order to meet the growing emergency needs of families affected by unemployment a temporary provision (until June 30, 1962) should be added to title IV of the Social Security Act which would authorize the inclusion of children in need because of the unemployment of a parent among those eligible for aid to dependent children.

8. PREPARATION OF A FAMILY AND CHILD WELFARE SERVICES PLAN

The Secretary of Health, Education, and Welfare should be requested to develop for submission to the President and the Congress, prior to the expiration of the temporary amendment to aid to dependent children, a Family and Child Welfare Services plan which would bring together in one program the resources of Federal aid to the States under the Social Security Act for assistance and social services to needy families and children and community social services in such areas as juvenile delinquency prevention, services to the aging, and other related programs designed to strengthen community life. This would not affect titles I and X of the Social Security Act relating to the aged and the blind, respectively.

9. STRENGTHENING AND STREAMLINING ADMINISTRATIVE ORGANIZATION

The strengthening of services to families, children, and older persons also could be advanced through administrative action looking to a more effective organization within the Department of Health, Education, and Welfare. The following suggestions should be explored:

(a) Elevation of the Children's Bureau from its present location within the Social Security Administration to the Secretary's office to serve its original purpose as a staff agency concerned with all the problems of child life and the promotion of new programs to meet them rather than with program operation.

(b) Designation of the Special Staff on Aging as an Office of Aging to advise and assist the Secretary in a similar role with respect to the problems of older persons. This office would not carry any administrative functions.

(c) Creation of an Institute of Family and Child Welfare Research associated with the Social Security Administration to combine the present research and demonstration functions enacted in 1956 and now vested in the Social Security Administration, including those of the Children's Bureau in the child welfare field.

(d) Transfer of the administration of the maternal and child health and crippled children grant programs to the Public Health Service.

(e) Transfer of the administration of the child welfare services programs to the Social Security Commissioner pending the development of the combined Family and Child Welfare Services plan recommended in the task force report.

This plan would combine the advantages of assuring spokesmen for the needs of children and older persons at the top level of policy decision in the Depart-

ment of Health, Education, and Welfare with those implicit in a comprehensive approach to research, health, and welfare services at the operational level.

It appears that no new legislation would be required to carry out these administrative suggestions since all program responsibilities are now vested in the Secretary of Health, Education, and Welfare and he is empowered to carry them out as he sees fit.

C. UNEMPLOYMENT INSURANCE AND THE SOCIAL SECURITY PROGRAMS

The Social Security Act includes provisions relating to unemployment insurance, social security (OASDI), and public assistance. All three programs are in need of expansion and revision to meet the challenge of the 1960's. Moreover, it is essential that some changes in the Federal provisions of each of these three programs be made at the very earliest possible moment in order to meet the problem of rising unemployment and personal hardship in 1961.

10. IMPROVEMENT OF UNEMPLOYMENT INSURANCE

Unemployment has been increasing over the past several months and has now reached serious, and potentially dangerous, proportions. This may threaten the solvency of some State unemployment insurance systems and in turn the protection for unemployed workers and their families, and business, dependent upon continued flow of income. During the first 10 months of 1960 it is estimated that 12.5 percent of family heads who are in the labor force experienced some unemployment. During the first 6 months of 1961, it is estimated that 1.5 million persons will exhaust their unemployment benefits. The rate of insured unemployment is estimated at 8 percent for January and February 1961.

Many of the States are not able or willing on their own to meet this crisis at this time. They have only recently emerged from a long period when they maintained contribution rates at a very low level and from the 1958 recession during which a number of States required Federal emergency loans. Consequently, some States are not in a position to improve benefits quickly on their own at this critical emergency.

Federal emergency legislation is urgently required to provide financial assistance on an optional basis to any States which need and wish such help to strengthen their unemployment insurance protection so they may provide more adequately for unemployed workers and their families. Consideration also must be given to the need for assisting the States by the enactment of basic Federal legislation relating to the duration and amount of benefits which will avoid repetition of periodic emergency legislation on a crisis basis and the undue burden which now falls upon those States experiencing heavy and persistent unemployment.

To maintain the fiscal integrity of the insurance system, any emergency assistance to the States should be charged to contributory income to the Federal unemployment account. The emergency grants to the States should not be a charge upon Federal general revenues. The present Federal unemployment tax of 0.4 percent of payrolls should be increased effective January 1, 1962, sufficiently to cover existing and new liabilities arising out of the emergency.

The taxable wage base also should be increased from \$3,000 to \$4,800 a year. This in itself will make a substantial improvement possible in the income to the State programs. It will also make possible additional income to the Federal unemployment account to help States meet emergency and long-run needs. Employers of one or more employees should be brought under the program by Federal legislation in order to afford protection to 1.7 million workers now excluded from the system.

An emergency program should make it possible for the States to extend the duration of unemployment payments or to supplement inadequate weekly benefit amounts, or both. There is an urgent emergency need for the Federal Government to enable benefits to be extended to at least 39 weeks for persons with a substantial attachment to the labor market. Moreover, States should be given a financial incentive to pay benefits of 50 percent of wages to most unemployed individuals. An emergency program such as this, if adopted by all States, would result in an increase in benefits of approximately \$150 million a month. Such a program, adopted in February by the Congress, and effective not later than April 1, could put an additional \$1,350 million into the buying stream of families during the remainder of 1961.

Detailed proposals relating to both the benefit and financing aspects for the emergency and long run, consistent with the above principles, have been discussed with the Director of the Bureau of Employment Security in the Department of Labor and are being prepared by him for the consideration and appropriate action of the incoming Secretary of Labor.

11. IMPROVEMENTS IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

The benefits under the social security program (OASDI) are inadequate. They should be improved and extended as soon as feasible and should receive special consideration as part of any general antirecession program.

The average retired workers benefit is only \$74 a month and a majority of these beneficiaries have no other significant income on which they can count.

In analyzing various proposed amendments, the following are the kinds of desirable long-run changes (with the cost of each) which could be considered for inclusion in an immediate program designed to ease the adverse effects of the recession upon individuals and families with the lowest incomes. Adoption of any of these proposals at this time would have both a beneficial short-run and long-run effect. The proposed increased payments would have a threefold effect: substantially increase benefit protection for social security beneficiaries, reduce the State and Federal expenditures for public assistance from general revenues, and have a significant antirecession effect through an immediate increase in the purchasing power of the beneficiaries. Appropriate changes in the financing provisions of the program to meet the costs of any of these proposals should be made so that the financial integrity and soundness of the contributory insurance system would be maintained. The earliest date on which changes in the financing provisions could be made effective from a practical point of view is 1962. Alternative changes in the contribution provisions could be designed to meet the same objective.

The costs included for each proposal are the level-premium (long-run) estimates of the Chief Actuary of the Social Security Administration expressed as a percentage of taxable payrolls.

Proposed changes in the social security program

1. (A) Provide that an unemployed person aged 60 or over would be considered disabled if he is unable because of a long-lasting impairment to engage in his most recent regular occupation or in other occupations requiring comparable physical and mental capacities (+0.08 percent).

(B) Provide benefits for an unemployed person who is totally disabled for as much as 6 months, even though not permanently, and provide for payment of the costs of rehabilitating disabled workers from the insurance system (+0.06 percent).

2. Make additional people immediately eligible for benefits (about 200,000 in 1962 and 400,000 by 1966) by reducing the insured-status requirement from one quarter of coverage for each three elapsing after 1950 to one for each four elapsed quarters, thus bringing the short-run requirements into line with those that will apply in the long run, when under present law people will be required to have 10 years of coverage out of a working lifetime of about 40 years (+0.02 percent).

3. Increase the minimum monthly benefit for the retired worker from \$33 to \$50 enabling about 3¼ million people to get increased benefits (+0.23 percent). (Alternatively, an increase from \$33 to \$40 would increase benefits for 1.8 million persons (+0.06 percent).)

4. Increase widow's benefits from 75 percent of the worker's retirement benefit to 85 percent, thus raising the average benefit amount payable to aged widows from \$58 to \$64 (+0.23 percent).

In addition several other changes have been proposed to the task force which appear worthy of further consideration:

5. Provide for paying actuarially reduced benefits to men at age 62; they are now provided only for women (+0.10 percent if benefit computation periods stop at age 62; no cost if benefit computation periods continue to age 65).

6. Increase benefits by 10 percent, with a minimum of \$5 for retired workers, raising average benefits for retired workers from \$74 a month to \$81, for young widows from \$59 to \$65, for orphaned children from \$48 to \$53, and for the permanently and totally disabled from \$89 to \$98 (+0.93 percent).

12. IMPROVEMENTS IN PUBLIC WELFARE

The existing Federal-State program of public assistance is inadequate in many respects. The most glaring deficiency is the lack of Federal funds for general assistance for needy persons who are not aged, blind, disabled—or dependent children. As a result of increasing unemployment, the number of individuals applying for general assistance will increase in many States and localities in the coming months. But in 14 States general assistance is denied if there is any employable person in the family (Arizona, Georgia, Hawaii, Iowa, Louisiana, Maryland, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, South Carolina, Texas, and West Virginia). In seven additional States employable persons are eligible only in an emergency or for a limited time (Alabama, Arkansas, Florida, Nebraska, North Dakota, South Dakota, and Tennessee). In many States local funds severely limit the availability of general assistance. Moreover, because general assistance is not available in many localities, there is an incentive for fathers to desert their families so that their needy children may become eligible for aid to dependent children.

The basic solution to this persistent difficulty is for the Social Security Act to be amended to provide assistance to any person in need. This proposal is implicit in recommendation 8. Pending such a basic change, it would be desirable to amend the aid to dependent children program temporarily as outlined in recommendation 7.

A temporary amendment to provide for the children of unemployed fathers under title IV of the Social Security Act would involve a Federal expenditure of between \$185 and \$275 million for the fiscal year 1962. The larger figure is based upon the assumption that all States would take advantage of the option to amend their programs. The lower figure is based on the assumption that only the major industrial States seriously affected by the recession will take advantage of it.

There are a number of other amendments in public welfare legislation which are long overdue. These changes are outlined in the reports of the Advisory Council on Public Assistance and the Advisory Council on Child Welfare Services which were requested by the Congress by law. The recommendations in these reports should be implemented in terms of the program presented in the task force report as soon as practicable (see recommendations 7, 8, and 9).

Mr. COHEN. I would only like to say that it is my understanding that certain criticisms have been made in some quarters both of my views and of my loyalty in connection with my nomination.

While in the 15 years since those criticisms have been made I have not publicly responded to them because I did not think it necessary to do so publicly, in connection with my nomination I would like to say that on numerous occasions, as every Federal employee has been, who has a sensitive position, I have been investigated by the FBI and in conformity with the loyalties procedures of this Government, and on a number of different occasions have been cleared by them.

Some reference has been made to the fact that I have been investigated, as if that in itself were some kind of criticism of me. But that is true of all persons who have held positions in Government.

Allegations have been made that I was a member of three Communist-front associations. I wish to say that I have on previous occasions stated to the FBI and in the loyalty and security examinations that I was not a member of those organizations. I have never said publicly before whether that I was not a member of these organizations because I considered that entirely a matter with regard to the security and loyalty examinations, and it was not necessary for me to make a self-serving declaration about my patriotism and my loyalty with regard to these matters.

As the committee knows, before a nomination is sent up to this committee one is given a complete FBI examination. I presume that my

nomination would not be here if other members of the Government did not feel that I was a completely loyal and patriotic citizen.

But I feel, in all deference to the committee—and I have worked with many of the members of this committee for some 25 years—that they have a right to know that I feel in my own mind, and in my own conscience, that I have nothing that I need hide with regard to my own attitude on any of these matters. But I would be perfectly willing to answer any questions about my attitude, my past associations, or my present position.

The CHAIRMAN. Thank you, Mr. Cohen.

Senator Kerr?

Senator KERR. I have no questions, Mr. Chairman.

I have known Mr. Cohen for many years and have had the opportunity of working with him, and I would say, quite frankly, that there is far from complete agreement between myself and Mr. Cohen on the philosophical viewpoints and convictions with reference to certain programs and principles of government.

But I have found him to be very able, very conscientious, very trustworthy, and very reliable. I unhesitatingly recommend him for favorable consideration by the committee.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Yes, Mr. Chairman.

Mr. Cohen, how many years have you spent in the field of social security, roughly?

Mr. COHEN. I would say 26 years.

Senator CURTIS. And how much of that has been with the Government?

Mr. COHEN. I would say 21.

Senator CURTIS. And in what capacities?

Mr. COHEN. I first started out as the research assistant to the Executive Director of the President's Committee on Economic Security in 1934, which had the responsibility of preparing the original report on the then-called economic security bill.

I then entered into work with the organization that became the Social Security Board. I remained with that organization when it became part of the Federal Security Agency, and the Department of Health, Education, and Welfare, leaving on January 15, 1956, as the Director of the Division of Research and Statistics of the Social Security Administration in the Department of Health, Education, and Welfare.

Senator CURTIS. You left in 1953?

Mr. COHEN. 1956.

Senator CURTIS. 1956.

Mr. COHEN. My terminal period in the Government was, I believe, January 15, 1956.

Senator CURTIS. And since 1956 you have stayed very close to the field of social security, have you not?

Mr. COHEN. Yes, sir. I teach courses at the University of Michigan that are related to social security, and I have retained a very close interest, naturally, in the subject.

Senator CURTIS. Your work in social security then starts with the conception of our social security program, in fact, its antecedents, and extends up to the present time?

Mr. COHEN. Yes, sir.

Senator CURTIS. Now, during the years that you were in the Department, even before it was a department, about how many of those years did you give assistance to the Congress in social security matters, on legislation?

Mr. COHEN. Well, my first work with the Congress was in 1935 with the Ways and Means Committee and the Senate Finance Committee in connection with the original act.

Senator CURTIS. And you continued to assist these committees with all subsequent acts, did you not?

Mr. COHEN. Yes, sir.

Senator CURTIS. I believe you have testified that you were head of the President's—President Kennedy's—task force on social security recommendations?

Mr. COHEN. Yes, sir.

Senator CURTIS. Mr. Cohen, the reason I am asking those background questions is this: I, pursuant to the Senate's responsibility of advising and consenting to a nomination, wish to seek certain information about your social security proposals, past and present, and that information will not be limited to the task force report that was submitted to the President.

We are not at this time considering specific proposals recommended by the President, but rather, if you do not mind, I would like to ask some things about your feelings and beliefs on the social security program.

This is a program that will run in perpetuity, will it not?

Mr. COHEN. Yes, sir.

Senator CURTIS. I would like to consider, first, because of its importance, the economic problems of children.

In the University of Michigan News Service, in a release for Monday, March 21, 1960, it quoted you as saying on the White House Conference on Children and Youth, and I quote:

Eleven million children are saddled with inherited poverty.

It also quotes you as saying:

We must make the abolition of poverty a national goal and a national policy.

I do not have any census figures of the total number of children in 1960, but the February 1961 Social Security Bulletin has figures for family incomes and children of 1959. What maximum age do you assume in defining a child?

Mr. COHEN. I do not recall whether that was 18 or 21, Senator Curtis, but that figure was taken directly out of a monograph to the Joint Committee on the Economic Report prepared by Prof. Robert J. Lampman of the University of Wisconsin. That 11 million figure is not my figure; it is a figure taken from that report.

Senator CURTIS. Would you reject the figure?

Mr. COHEN. No, sir. I accept the figure.

Senator CURTIS. And use it?

Mr. COHEN. Yes, sir.

Senator CURTIS. Well, now, in arriving at that 11 million, what maximum age did you consider a child to be?

Mr. COHEN. I do not recall, Senator, whether it was 18 or 21. My guess would be that it would probably be 18, but I am not quite sure. I do not have the report with me.

Senator CURTIS. This February Social Security Bulletin estimates that in 1959 almost one-fifth of the families with one-fourth of the Nation's children have incomes below the amount which would subject them to Federal income tax—a fifth of the families representing a fourth of the children.

Now, this would range from \$1,325 for a mother and one child, \$2,675 for a married couple with two children, and \$4,000 for a family of six. Those categories are categories where they are not subject to the Federal income tax.

About what proportion of the social security taxpayers come within these classes; 1 out of 5, 1 out of 6, 1 out of 4?

Mr. COHEN. I could not say offhand, Senator. I do not know what the exact figure is. You mean of the total 15 million beneficiaries of social security come within those?

Senator CURTIS. No, I am talking about the taxpayers.

Mr. COHEN. Of the contributors?

Senator CURTIS. No, I prefer to call them taxpayers.

Mr. COHEN. I see.

Senator CURTIS. If you don't mind, I do not want a quarrel about semantics, but they sold out a business in my hometown because the man had not paid social security taxes a few years ago, and I consider these payment taxes and not contributions.

Mr. COHEN. I could not answer you offhand, Senator, what proportion of them are.

Senator CURTIS. According to that bulletin, roughly one-fifth of our families, representing one-fourth of the Nation's children, have incomes where they do not pay a Federal tax.

It would be within this group that you would refer to the children as being children who are saddled with inherited poverty, would it not?

Mr. COHEN. If they fell within the same income class that I used in determining the 11 million, yes, your answer would be correct. That would be true.

Senator CURTIS. Now, the social security taxes at the presently scheduled rate for 1969 are 4½ percent for employees, and 6¾ percent for the self-employed; is that not true?

Mr. COHEN. At the present time?

Senator CURTIS. No, by 1969.

Mr. COHEN. By 1969, yes, sir; that is correct.

Senator KERR. Does that mean 9 percent for the employer and employee?

Senator CURTIS. Yes.

Senator WILLIAMS. Will the Senator yield? That will be 10 under the two bills that have been sent down by the administration.

Senator CURTIS. Yes, we are coming to that. Will you settle for two bills? [Laughter.]

Now, the employee's tax will range from around \$60 for a family with \$1,325 in earnings, to \$180 for a family with \$4,000 earnings, will it not?

Mr. COHEN. I think the mathematics are correct; yes, sir.

Senator CURTIS. Yes.

In other words, this group that we are not collecting any Federal income taxes from because their income is too low, some of them will be paying up to \$180 social security taxes, and the self-employed tax will be 50 percent more, will it not?

Mr. COHEN. Yes, sir.

Senator CURTIS. Which means that self-employed people, which includes farmers in my State, and the cobbler who runs a one-man shop, will be paying from \$90 to \$270 in social security taxes, will he not?

Mr. COHEN. Yes, sir.

Senator CURTIS. Even though he is not liable for Federal, any Federal income taxes.

Mr. COHEN. Yes.

Senator CURTIS. These are some of the things that I am deeply worried about, the burden placed on the children.

Do you favor a still higher social security tax on these families of children who, to use the quotation, "are saddled with inherited poverty"?

Mr. COHEN. Well, I believe that in accordance with the program that President Kennedy sent to Congress, that it would be desirable, recognizing the benefits that are being proposed, to increase the tax; yes, sir.

Senator CURTIS. Well, now, I am not asking for your support or rejection of the President's proposal.

Do you personally believe in increasing the social security tax on these children who are saddled with inherited poverty beyond what I quoted where they would be paying in 1969—

Mr. COHEN. In 1969? Well, I think we could go up to probably 5 percent; yes, sir.

Senator BENNETT. Will you clarify that? Up to 5 percent; you mean up to 5 percent more, to 14 percent?

Mr. COHEN. No, Senator Bennett. Senator Curtis said previously that it was 4½ percent in 1969, and I was replying that I thought it would be possible to go up another half percent to 5 percent.

Thank you for correcting me.

Senator BENNETT. I wanted it clear.

Mr. COHEN. Yes. Thank you.

Senator CURTIS. There would be 7.5 percent for the self-employed?

Mr. COHEN. Yes, although, might I say this, Senator Curtis, I think some consideration ought to be given as the tax rate goes up to possibly modifying the policy of charging the self-employed 50 percent more. I think there is some possibility of considering reducing the increase on the self-employed.

Senator CURTIS. But you have no plan for reducing the tax burden on these 11 million children, families with 11 million children, who are saddled with inherited poverty, have you?

Mr. COHEN. I believe myself that the matter of raising their income and welfare must come primarily through other measures.

Senator CURTIS. A still higher tax on these family earnings would be required, would it not, to finance the proposed more generous social security and also the addition of medical care of the aged; would it not?

Mr. COHEN. Yes, sir.

Senator CURTIS. Pending administration bills in combination provide for an additional one-half percent on employees and three-fourths percent on self-employed; I believe you testified to that?

Mr. COHEN. Yes, sir.

Senator CURTIS. Do you think it is a proper Federal function to saddle with more taxes the families of the children you state are

already saddled with inherited poverty so as to do what you have called adding a Bigelow rug to the old person's present floor protection?

Now, many of us in the field of social security through the years have said that social security should not provide all the wants and needs, but should be a floor protection, and I believe you are the author of the expression that you thought there ought to be a rug on top of that floor; isn't that right?

Mr. COHEN. Well, I think that is correct, Senator; at least other people have said that I was the author of it.

Senator CURTIS. And you would increase the tax on these children to provide that rug?

Mr. COHEN. I still think that is a floor of protection.

Senator CURTIS. I see.

Mr. COHEN. My only difference is—

Senator CURTIS. But if it required more taxes you would be for it?

Mr. COHEN. Yes, sir.

Senator CURTIS. In the release I have mentioned you are quoted as saying that prosperity alone will not substantially reduce the proportion of low-income families, and that this problem cannot be left to natural forces. You said, "We can and must make the abolition of poverty a national goal and national policy."

Do you consider the proposed higher social security taxes on these families consistent with this goal and policy?

Mr. COHEN. I think it is consistent with the goal and policy, but it is not the sole method of achieving the result that I indicated.

Senator CURTIS. Well now, I do not quite follow you, Mr. Cohen. You are the chief architect of our social security structure with more and more generous benefits; and yet you say that 11 million of our children are living in inherited poverty, and I do not understand how to take out of their income, their family income, more taxes could be a part of the goal of eradicating poverty? But you think it will?

Mr. COHEN. Yes. Might I explain?

Senator CURTIS. Yes.

Mr. COHEN. Well, I think, first, that a large number of the children live in families where, when the breadwinner dies or becomes sick or disabled or unemployed or eventually old, they become dependent upon public charity or relief. The reason that I am in favor of their paying a social security contribution, is because I feel that that is a method of attempting to prevent them from becoming public wards or public charity. So that what was in the back of my mind there is that by the extension of the social insurance principle more and more of these people would not be dependent upon public charity.

Senator CURTIS. Well, now, Mr. Cohen, about what is the social security reserve now?

Mr. COHEN. About \$21 billion to \$22 billion.

Senator CURTIS. If we closed out the system, which I am not in favor of doing, I want to make a success out of it, would that \$21 billion pay out the pensions of the people already on the rolls?

Mr. COHEN. Of the people already, just the people already, on the rolls?

Senator CURTIS. Yes.

Mr. COHEN. I have not looked at that recently, but I do not think it would.

Senator CURTIS. I am sure it would not; and there is nothing in there for the people who are eligible who have not gone on the rolls, is there?

Mr. COHEN. That is correct.

Senator CURTIS. So regardless of high sounding words and the use of semantics, we have a tax program here that we are taxing the producers currently to pay benefits to another group? Isn't that correct?

Mr. COHEN. That is correct.

Senator CURTIS. Without regard to—

Mr. COHEN. Yes, paying the benefits as a matter of statutory right.

Senator CURTIS. Without regard to the 11 million poverty inherited children already in families who pay OASDI taxes; is that not correct?

Mr. COHEN. Yes, sir.

Senator CURTIS. Because if they earn anything—

Mr. COHEN. That is correct.

Senator CURTIS. To the extent that these families' earnings are taxed for social security, these children of inherited poverty, their handicap is worsened, is it not?

Mr. COHEN. To some extent; yes, sir. I would say—

Senator CURTIS. If a breadwinner whose income is so low that we excuse him from Federal income tax, has to pay \$15 a month social security tax, that is \$15 less that he can spend for his children and family; is it not?

Mr. COHEN. Yes. But it also might be, Senator, that that protection in connection with the survivor insurance, disability insurance and eventually old-age insurance is something that does have both a psychic and an economic value to that family. So that—

Senator CURTIS. I will not take your time or the time of the committee to make the distinction between this and life insurance.

Mr. COHEN. But I mean there is a very important life insurance value in the social security system for workers with young children.

Senator CURTIS. Very definitely.

Now, when you add OASDI medical program for our older citizens, this means that the OASDI taxes for these poor families will be increased, will they not?

Mr. COHEN. Yes, sir.

Senator CURTIS. Does OASDI provide any benefits to the children of inherited poverty whose fathers are dead or disabled?

Mr. COHEN. Who are already dead or disabled?

Senator CURTIS. Yes.

Mr. COHEN. Well, some of them where the father has died and has insured coverage, there would be some of them in fact some of those would be of low income because they are receiving small social security benefits; that would be one of the reasons why they are in that category.

Senator CURTIS. But it would not include all of them?

Mr. COHEN. No, sir.

Senator CURTIS. Do any of the presently proposed liberalizations of OASDI help such children who are not covered now?

Mr. COHEN. You mean in the ones that the President has already sent to Congress?

Senator CURTIS. Yes.

Mr. COHEN. There is one, I think, yes, sir, that I can think of. The President has recommended that the minimum benefit be increased from \$33 a month to \$43 a month so that—

Senator SURTIS. Let us talk about this group that are not recipients.

Mr. COHEN. Yes.

Senator CURTIS. Is there anything in the liberalizations that have been recommended so far to the Congress that would help these children from these poor families?

Mr. COHEN. The President has recommended a modification of the disability insurance provisions as one of his five amendments, and there well might be some of those children who are the children where the father is disabled, who would be eligible by virtue of that liberalization.

Senator CURTIS. Some liberalization for those who can qualify.

Mr. COHEN. Yes.

Senator CURTIS. And who else can qualify?

Mr. COHEN. I cannot think of any other; no.

Senator CURTIS. But you do propose to increase their social security taxes to provide these liberalizations for other people, do you not?

Mr. COHEN. To provide liberalization to other people and eventually to people in the same circumstances who are under the program; yes, sir.

Senator CURTIS. Mr. Cohen, the University of Michigan press release of July 15, 1959, quotes you as maintaining before the Ways and Means Committee, and I quote:

"Hospital benefits should be payable to disabled persons, widows, and dependents covered by OASI whether or not they are drawing cash benefits to which they are entitled."

Mr. COHEN. That is correct, sir. That is a correct reference to the statement I made at that time.

Senator CURTIS. Have you changed your position?

Mr. COHEN. That is my personal opinion; yes, sir.

Senator CURTIS. You have not changed your position?

Mr. COHEN. No, sir; I have not changed my attitude on that.

Senator CURTIS. Can you think of any defensible theory of providing hospital benefits for OASI recipients who are 65, but denying them to nearly 3 million orphans and their mothers and other children entitled to benefits, and to disabled persons?

Mr. COHEN. Let me see if I understand your question: You are asking me if I can see any defensible position, while giving it to the aged, in denying it to the widows and the dependent children of the disabled?

Senator CURTIS. Yes.

Mr. COHEN. Only the point that one cannot always do everything at one time.

Senator CURTIS. Now, a person, if he is entitled to social security but not drawing it, he could be a man perhaps 65, independently wealthy, carrying on his business, drawing a salary of \$100,000 a year, and he would be eligible for hospital benefits, would he not?

Mr. COHEN. Yes, sir.

Senator CURTIS. There is nothing that would take care of some 3 million orphans and their mothers and other children who are outside the program.

Mr. COHEN. Well, yes, there is the Kerr-Mills amendment and other legislation passed by Congress which is designed to take care of those people.

Senator CURTIS. That is not a part of title II of the Social Security Act, is it?

Mr. COHEN. No, sir; but it is part of the Social Security Act.

Senator BENNETT. Mr. Chairman, may I ask, did the Kerr-Mills bill take care of orphans?

Mr. COHEN. No. That only took care of the aged, but previous amendments, both prior to that and previous amendments sponsored by Senator Kerr did take care of other groups for medical care in the public assistance categories.

Senator KERR. There were a number of provisions in that bill last year other than the care for the aged. It was the broadening of the social security law.

Senator CURTIS. Let us get it straight. What you are proposing to take care of in the hypothetical case that I set forth is that a man past 65, independently wealthy, carrying on his job, making \$100,000, not retired, there is no loss of wages, earnings or income, and you propose to pay his hospital bill, do you not, under social security?

Mr. COHEN. Yes, sir. If he applies for it and is insured, he would be eligible to have his hospital benefits paid; yes, sir.

Senator CURTIS. You would agree that there are many categories of orphans and other people, and people under that age that you have not recommended that for; isn't that true?

Mr. COHEN. Which I have recommended to be included, yes; I have.

Senator CURTIS. What have you recommended?

Mr. COHEN. Well, I have on a number of occasions recommended that, as you quoted before, widows and the children and the disabled be included under the same protection.

Senator CURTIS. Suppose the deceased husband has not qualified for OASI?

Mr. COHEN. In that case, as I said before, they would only be eligible for public assistance in accordance with either provisions of the public assistance titles.

Senator CURTIS. All right. Let us come back to a hypothetical case of the wealthy man I mentioned again.

Suppose this man reached 65 before the recommended medical bill was passed. He has never made any contribution into the medical fund, has he?

Mr. COHEN. No, sir.

Senator CURTIS. If the administration's proposals are adopted, to pay the hospital bills of people in a certain category who happen to be born before a certain date and covered by social security, do you think it would be very long before you would come back to Congress recommending extending those hospital benefits to all people?

Mr. COHEN. You mean to all people under, including under age 65?

Senator CURTIS. Yes.

Mr. COHEN. I do not visualize myself making that recommendation, because as I have said several times, in testimony, I believe, before the Ways and Means Committee particularly, that I think the problem is quite different in that Blue Cross and private insurance coverage are so satisfactory covering the people under 65.

Senator BENNETT. Will the Senator yield?

Mr. COHEN. I have said that.

Senator CURTIS. I am coming to that.

Senator BENNETT. There is a proposal before Congress that the age limit for retirement be reduced to 62. Would you then propose that the hospitalization be available at 62?

Mr. COHEN. No, sir; not at this time I would not.

Senator BENNETT. You would save that for a little while later, so there would be another program to bring up here. But how could you defend the idea that everybody who reaches an age at which he can retire on social security should be given hospitalization, and then when we change the age and say, "No, he has got to wait 3 years"?

You and I know that is not what is going to happen.

Mr. COHEN. Well, may I say this, Senator: The proposal that has been made is not to reduce the retirement age for the normal retirement benefit to 62, but to provide for an actuarially reduced benefit at age 62 at the option of the individual.

I would not consider, if you had an actuarially reduced benefit at any age, that that ought to entitle one then to the hospitalization benefits which begin at another age.

Senator BENNETT. Aren't you facing an inconsistency when you will give the hospital benefits to a man who cannot qualify under any circumstances, who all his life has paid into social security, but is not allowed to take a dollar out of the OASDI; he gets hospitalization, but the man who can qualify completely and chooses to retire at 62, has to wait for 3 years, and it would seem to me this is the kind of thing that would follow as the night the day.

Mr. COHEN. Well, my view on that, Senator, would be different from yours in this sense: I think there is where you have to take into account what are the arrangements that exist in our economy and society otherwise.

Now, the fact of the matter is that there is very good and growing private insurance coverage usually up to the time a person is getting older, I think most of the present plans are doing their very best to try to keep these people in these private plans until they get at an age where the hospitalization cost begins to be very burdensome on them.

So I would think—and this is based on my discussions with Blue Cross plan people—they would like to keep them in the group until they are 65 or even a later age, let us say 68; so my answer to you would be, maybe that seems logical as you look at it, but I do not think it is quite realistic in relation to what actually exists.

Senator BENNETT. Isn't it inconsistent to give the one man who cannot qualify otherwise hospitalization at 65, and the other man who qualifies completely, deny him hospitalization at 62?

Mr. COHEN. No, because I think Congress would be saying, if they did that, they would be giving notice to people, "We expect you to carry your private insurance to 65."

Senator BENNETT. Well, the Senator from Utah has an example before him to show how fast this will operate.

Last year the proposal to put this medical program under social security had the age of 68. Within the year it is down to 65.

How long do you think it will take to get down to 62?

Mr. COHEN. Well, it was at 65, Senator, before it was 68, so I guess it is just returning to where it was previously.

Senator BENNETT. I am through.

Senator CURTIS. Well, now, I am going to have some more to say about this private health insurance in a little bit.

Coming back to this one-fourth of our children who live in families whose incomes are so low they do not pay Federal income taxes, they are to buy their own Blue Cross insurance and then pay an additional social security tax to give the Government hospital benefits to the aged, regardless of need and whether they retire or not, is that right?

Mr. COHEN. Well, this would not be true of all the 11 million that we talked about, but it would be true of—

Senator CURTIS. If they earned anything.

Mr. COHEN. It would be true of anybody who earned something; yes, that would be correct.

Senator CURTIS. At the present time, do the administration health amendments have an entrance-fee requirement and other cost-saving restrictions?

Mr. COHEN. It has no entrance-fee requirement, but it does have some cost restrictions in the nature of deductibles.

Senator CURTIS. And if social security legislation moves in the direction that it has moved since it was enacted, some of those cost-saving restrictions would, in a matter of time, be removed, would they not?

Mr. COHEN. Yes. I think there would be substantial pressures for their removal, particularly from the hospitals. The hospital groups are the ones which, interestingly enough, are the most interested in eliminating the deductibles because they feel they might otherwise have to bear the cost of the deductible.

Senator CURTIS. The pressure is already on?

Mr. COHEN. Yes.

Senator CURTIS. So this suggested tax, starting out low, is already commencing to waiver.

Mr. COHEN. There are always pressures, Senator, you and I know that.

Senator CURTIS. Mr. Cohen, how much do you estimate that a really adequate social security health program would cost in terms of payroll taxes at the present wage base?

Mr. COHEN. Well, now, when you say a really adequate—

Senator CURTIS. I am letting you define it.

Mr. COHEN. At the present time I would not be in favor of any broadening of the scope of benefits other than what is already in the proposals that the President has sent, so I would not—

Senator CURTIS. We have been talking about these glorious sixties ahead. Would you settle for all of the 1960's until 1970?

Mr. COHEN. Well, I certainly think that what is in the President's proposal would be about all that we could effectively deal with at the present time.

Senator CURTIS. All right.

What would the level premium be then?

Mr. COHEN. For the President's program? Six-tenths of 1 percent of payroll.

Senator CURTIS. The level premium?

Mr. COHEN. The level premium is six-tenths of 1 percent of payroll.

Senator CURTIS. I noticed in your task force report carried in the January 12, 1961, Congressional Record that the level premium cost of providing medical care for all OASI beneficiaries would be estimated at 0.96 percent of payroll.

Mr. COHEN. That is the figure for including beneficiaries of all ages. A figure of 0.91 percent represented the level premium cost for the Anderson-Kennedy amendment, modified to bring down eligibility to age 65 for men and 62 for women, and eliminating the \$75 deductible that was in that bill, and using a \$4,800 tax base.

In my report, Senator, I gave—

Senator CURTIS. It would be something over nine-tenths of a point instead of six-tenths of a point?

Mr. COHEN. For that particular set of specifications; yes, sir.

Senator CURTIS. You state that besides providing these benefits social security tax funds should be used for demonstration projects, community projects, and consultation services.

Mr. COHEN. Yes, sir. Might I make clear, Senator, I was not recommending the 0.91-percent proposal. That figure that is given in the report is an array of different alternatives and costs for a number of different specifications. I did not recommend that.

Senator CURTIS. That have already been considered by Congress.

Mr. COHEN. Yes, sir.

Senator CURTIS. Do you regard those as excessive programs, personally?

Mr. COHEN. I do not regard them as excessive, but I do not regard them as feasible at the present moment.

Senator CURTIS. You would step it up?

Mr. COHEN. Eventually?

Senator CURTIS. Yes.

Mr. COHEN. I do not know. That would be for some other Congress to decide.

Senator CURTIS. I am talking about your recommendation.

Mr. COHEN. I would not now propose it as a program; no, sir.

Senator CURTIS. Now, there is quite a little difference between 0.96 or even 0.91 percent of the payroll and 0.6 of a percent of a payroll; is there not?

Mr. COHEN. Oh, yes.

Senator CURTIS. Now, of the 11 million children who have inherited poverty or are in the fifth low-income families, how many are on the aid-to-dependent-children rolls?

Mr. COHEN. There are about 2½ million children on aid to dependent children now, and I would presume all 2½ million are in that group of 11 million that you quoted.

Senator CURTIS. I thought it was about 2.3.

Mr. COHEN. Well, I can look up the exact figures.

Senator CURTIS. Yes; that is right.

Mr. COHEN. Let us say between 2¼ and 2½ million, actually 2.41 million in January 1961.

Senator CURTIS. Do these receive medical care?

Mr. COHEN. They are eligible for medical care under the medical assistance provisions of title IV at the present time; yes, sir.

Senator CURTIS. Except for the fact that—

Mr. COHEN. May I qualify that? There are eligible under the Federal statute but, of course, they can only get it if that is implemented by a State, and there might well be some States that are doing more or less, but as far as the Federal statute is concerned, medical assistance underpayments to dependent children, they are eligible.

Senator CURTIS. Except for the fact that their father is either dead, disabled, or missing, how many of the 11 million children, living in inherited poverty, do you think would qualify for aid to dependent children?

Mr. COHEN. Let me see if I understand you correctly. In the residual group?

Senator CURTIS. Yes.

Mr. COHEN. Of roughly, that would be what, 8½ million?

Senator CURTIS. Yes.

Mr. COHEN. How many of them would be eligible for aid to dependent children?

Senator CURTIS. Yes.

Mr. COHEN. If it were not that the circumstances were that their father was dead, disabled, or absent from the home to meet the qualifications of aid to dependent children?

Senator CURTIS. Yes.

Mr. COHEN. I would say in the neighborhood of 2 million.

Senator CURTIS. Well, now, a specific recommendation you have been reported as making by the University of Michigan news release is the extension of Federal grants to general assistance programs "for needy children in the 11 million inherited poverty low-income family group presently qualifying, along with their parents, under State laws."

Mr. COHEN. In many States they cannot, Senator, and that is the reason I made that recommendation because there are a whole group of States and communities in the United States in which such cases cannot receive assistance.

Senator CURTIS. Is the purpose of the proposed Federal grants for general assistance made to make assistance to these children easier to get and more adequate, is that the purpose of it?

Mr. COHEN. I would not say easier. The purpose is that if a child or a family is in need in a State that they should be eligible for assistance on a standard of need determined by the State, with the help of Federal matching funds.

Senator CURTIS. Now, this same release contained also your recommendation for improving unemployment benefits and financing through Federal standards.

Can you give an estimate of how many of the needy children we have that would thereby have their problems solved?

Mr. COHEN. By the unemployment insurance route?

Senator CURTIS. Yes.

Mr. COHEN. I couldn't give you an estimate of that, but I do happen to have the figure that there are about 750,000 children who are the children of unemployed parents at the present time, who would be eligible for aid to dependent children if unemployment were a condition for eligibility. So that I would say—

Senator CURTIS. What would that cost?

Mr. COHEN. Well, that would cost, if all States were to provide funds for them on the same standard as aid to dependent children, about \$285 million a year in Federal funds.

Senator CURTIS. What is your recommendation with respect to providing medical care as one of the dependent benefits you would require of unemployment insurance by Federal standards?

Mr. COHEN. I do not think I would make that recommendation at the present time.

Senator CURTIS. Have you recommended Federal standards for unemployment insurance?

Mr. COHEN. Yes, sir.

Senator CURTIS. But you would not recommend that that include medical care for the dependents?

Mr. COHEN. Of unemployed persons?

Senator CURTIS. Yes.

Mr. COHEN. No, sir. I would not mix these two systems; no, sir.

Senator CURTIS. You would still give it to the wealthy aged who have not retired?

Mr. COHEN. Well, I would like to have an opportunity to explain that because you have asked me two or three times about that. Could I do so?

My answer is "Yes," I would give it to them.

Senator CURTIS. I understand it.

Did you favor the addition of the temporary disability benefits to the unemployment compensation that was recently passed?

Mr. COHEN. Yes, sir.

Senator CURTIS. Should there have been Federal standards in it?

Mr. COHEN. No, sir; not at that time.

Senator CURTIS. What do you believe should be done about providing a Federal children's allowance in lieu of the present Federal income tax deduction for children?

Mr. COHEN. I am presently opposed to family allowances, if by that you mean like some 30 other countries in the world have, of making a flat payment to every child irrespective of the income of their parents.

Senator CURTIS. Now, Mr. Cohen, I would like to have your views with respect to the expansion of the social security wage base.

Some of the University of Michigan press releases quote you as recommending an immediate increase and in the next few years getting it up to \$9,000 per year; is that correct reporting?

Mr. COHEN. I believe it is, Senator.

Senator CURTIS. Now, the present benefit formula provides a \$59 primary benefit for a person with a \$100 a month for the average wage, \$24 more for the second \$100, \$22 more for the third \$100, and \$22 more for the next \$100, making \$127 as the present maximum; isn't that correct?

Mr. COHEN. I think that is correct, sir.

Senator CURTIS. That is based on \$4,800?

Mr. COHEN. That is correct.

Senator CURTIS. Now, with your expanded wage base to \$9,000, maximum average wages would increase by \$350 per month, would they not?

Mr. COHEN. Yes; that is right. I am just doing that mentally; I may be wrong, but I think that is correct.

Senator CURTIS. I think that if the wage base were raised from \$4,800 to \$9,000, the increase would be \$350 a month.

Mr. COHEN. Yes, sir.

Senator CURTIS. Would you propose to increase the maximum primary benefit at the \$22 per \$100 rate to the maximum of \$204?

Mr. COHEN. I would say this: Yes, or somewhat about that figure.

Senator CURTIS. It has already been done.

Mr. COHEN. That is what has been done in the past; yes, sir.

Senator CURTIS. While sometimes it is argued we will finance something by increasing the wage base, we must also take into account that the Congress has always taken the wage base for figuring the benefits.

Mr. COHEN. Oh, yes, sir; and used as both in figuring the taxes, as you say, and the benefits.

Senator CURTIS. Well, as long as they send U.S. marshals around to sell people out to collect these, they are taxes.

Senator KERR. What was that statement?

Senator CURTIS. I say, earlier I called Mr. Cohen's attention to the fact a business was sold in my hometown to satisfy social security taxes. So I reject their designation of them as "contributions." We contribute to our churches, but they do not sell out the business of the people who have defaulted.

Now, if this went up to \$9,000, this would increase maximum benefits around 60 percent, would it not?

Mr. COHEN. I have not figured it out—that sounds correct. From \$127 to \$204, I guess, was the correct figure, was it not?

Senator CURTIS. Yes. But it would increase maximum taxes over to 87 percent?

Mr. COHEN. Yes. The taxes would increase somewhat higher percentage-wise than the benefits would; that is correct.

Senator CURTIS. Now, that is to raise the base to \$9,000 would do that?

Mr. COHEN. Yes. I am not proposing \$9,000 today, Senator.

Senator CURTIS. Oh, no; I realize that. This is a confirmation hearing today.

Mr. COHEN. No, sir; I did not mean that.

Senator CURTIS. I withdraw that.

You have advocated that it be done in steps.

Mr. COHEN. That is correct, sir.

Senator CURTIS. Yes, sir.

This would be a good bargain from the viewpoint of the system, though perhaps not from the viewpoint of successful young people; isn't that correct?

Mr. COHEN. Well, let me put it this way: I do not think that is quite the question to ask. It would bring in more income to the system than the benefit disbursements. That answers one part of your question.

With regard to younger people, if you just take that incremental part off, that is the difference between \$4,800 and \$9,000—yes, they will be paying in much more for that part than they receive back in benefits. But I would look at the whole ball of wax together.

Senator CURTIS. That is exactly what I am going to do.

Now, wages are going to go up, our standard of living and wages and income are going to go up.

Mr. COHEN. I certainly hope so.

Senator CURTIS. Yes.

So you are advocating a program that, in raising the wage base alone, is going to increase social security taxes on the producers by 87 percent; isn't that right?

Mr. COHEN. May I explain that, because you have touched on the very point that is underlying my assumptions in the material that you present.

My entire presentation that you are quoting from is based on the assumption that the gross national product will increase 50 percent by 1970, and I was proposing a series of recommendations in improvement in social security which would be parallel with the economic growth of our Nation as it went along, because, as I believe I said in that article or some other article, I think the key to our economic and social development is that as our economy improves we should share some of this increased productivity with the dependent groups in our population, as well as with the working force, so that whole movement that you are talking about, looking ahead the next 2 years, was not based on what I was recommending today but what I think and what I thought would be the development of the American economy over the next 10 years.

Senator CURTIS. Now, sharing it with the dependent group, by that do you mean everybody over 65?

Mr. COHEN. When you say "everyone," I would hope that the totality of the proposals would, in the course of the next 10 years, result in everyone over 65 who was retired benefiting from these proposals; yes, sir.

Senator CURTIS. That was not my question. I said when you refer to the needy group, by that do you mean that everybody over 65 is in that category?

Mr. COHEN. No; I did not mean that. I meant those over 65 who have retired and were eligible for any benefits.

Senator CURTIS. I am greatly concerned. A structure is being built; promises are being made; a program is projected that is going to invite a revolt of our youth. Here we have one proposal. Raising that wage base would increase the social security tax 65 percent. When the plan goes into effect, which would be by 1969, if we added the half percent medical care, the person with the \$9,000 salary would pay \$450 and his employer would pay \$450 a year, correct?

Mr. COHEN. That is correct.

Senator CURTIS. A self-employed person would pay \$635?

Mr. COHEN. That is correct, if the same relationship we talked about continued to exist; yes, sir.

Senator CURTIS. Mr. Cohen, that would amount to \$2 a day for the self-employed person, would it not?

Mr. COHEN. Two dollars for every day out of the year; yes, sir.

Senator CURTIS. Sundays, rainy days, holidays?

Mr. COHEN. Included.

Senator CURTIS. Every day?

Mr. COHEN. Yes, sir.

Senator CURTIS. A family, a wife and two children, the man making \$9,000 a year, their social security tax would equal one-half of their income tax.

Mr. COHEN. Yes, sir. I see nothing wrong with that.

Senator CURTIS. Well, maybe not.

A member of the Swedish Parliament told me that they were paying more for social benefits than they were for national defense. They fear the Russians. Yet no political group in Sweden would come forward and say, "Let us reduce the social benefits and provide for defense." Here we have before us now a program for social security; a \$9,000 person would spend for social security taxes an amount equal to half his Federal income tax.

Mr. COHEN. Well, Senator, I think that when you balance all of the various considerations, of which there are many, in terms of, on the one hand, attempting in our free enterprise, democratic society, providing income to people to meet the major hazards of life and still trying to retain a free enterprise, democratic society, then identifying the costs through a social security program that makes people conscious of the cost, as social security does, is a conservative and intelligent way of doing business. In other words, the point that you are making, and that is why I answered it, is not that that results in something which I think is bad, but identifies to the individual that if they want this social protection, they have to pay the cost. I think that is one of the advantages of a social security program.

Senator CURTIS. But it is you that is promoting it.

Mr. COHEN. Pardon?

Senator CURTIS. You have promoted these things. You have advocated a \$9,000 wage base?

Mr. COHEN. Yes, sir; and I advocate people paying more taxes for those benefits. In other words, I am trying to keep a reasonable balance between benefits and costs, so that we achieve the social objectives of our society at the same time we keep some fiscal responsibility.

Senator CURTIS. Certainly, if you pay it out, you have to take it in.

I noticed you used the word "freedom," several times. This would be compulsory like the present law, would it not?

Mr. COHEN. The contributions, yes, certainly. Just like the income tax, compulsory education, a number of other things.

Senator CURTIS. Compulsory contributions?

Mr. COHEN. Yes.

Senator CURTIS. Two dollars a day?

Mr. COHEN. In the instance that you gave; yes, sir.

Senator CURTIS. Not the instance I gave, the program you recommended.

Mr. COHEN. Yes.

Senator CURTIS. Which involves only two things—the passage of the bill on medical care, which would add one-half of 1 percent on the tax, and raising the wage base. Those two things alone would make these people who are buying homes, educating their children, paying for their Blue Cross hospitalization, saving for their old age and so on, pay \$2 a day for social security. Now this would very substantially reduce the person's incentive and ability to invest in

insurance, building and loan shares, stocks and bonds, and so forth, would it not?

Mr. COHEN. I do not think so, Senator. I think that one of the great accomplishments of social security has been to make people conscious of the fact that with the protection that they have and the foundation that they have, they are more willing to do these very things that you have. In other words, some of these low-income people who have no hope, no prospect of investing any money, when they once have this foundation, they become more incentive minded.

Senator CURTIS. I am not talking about the competition between social security and insurance.

Mr. COHEN. I understood you.

Senator CURTIS. I am talking about the individual if he works hard and seeks a promotion; it is going to mean that his social security taxes go up to \$2 a day. His incentive to improve himself and to work and save is going to be cut down.

Mr. COHEN. I do not think so, Senator. When my salary has gone up at the university and my annuity payments go up, I do not think that my incentive has been destroyed or my willingness to save has been impaired. I look upon it as part of my total protection and my total investments that I have for meeting these hazards.

Senator CURTIS. Now would you recommend raising the social security tax base beyond \$4,800 if maximum benefits remain payable on the \$4,800?

Mr. COHEN. No, sir; I would not.

Senator CURTIS. Would you recommend a Government contribution paid from borrowing or additional general taxes to pay the higher social security maximum benefits?

Mr. COHEN. No, sir; at this time, I would not do so.

Senator CURTIS. At any time?

Mr. COHEN. Well, when you say at any time, that takes in a lot of territory.

Senator CURTIS. Here this program runs in perpetuity, and no one knows more about the future costs of it than you do.

Mr. COHEN. That is correct, but I would not—could I strike that from the record?

Senator DOUGLAS. May I tell a story to reduce the tension?

Senator CURTIS. There is no tension.

Senator DOUGLAS. There was a very famous professor of physics at Johns Hopkins by the name of Roland, who testified in the alternating-current and direct current case. He was asked the question, first of all, "Who is the greatest authority on physics in the country?"

He said, "I am."

Later, a friend of his said, "Roland, that was a terrible thing for you to say. Why did you say you were the greatest authority on physics in the country?"

He said, "Well, when I took the stand, did I not promise to tell the truth, the whole truth, and nothing but the truth?"

So this reply of Mr. Cohen's was telling the truth, the whole truth, and nothing but the truth, and I agree with him.

Mr. COHEN. I was really answering the second part of your question, Senator, not the first part.

Senator KERR. Was it not just the other way?

Mr. COHEN. I have forgotten now what the question was.

Senator CURTIS. The question is: Will you, at a future time, recommend a Government contribution to this program?

Mr. COHEN. With the knowledge that I have now, I do not think in the foreseeable future that I will recommend a Government contribution; no, sir.

Senator CURTIS. According to the program you had advocated here, assuming that someone makes \$9,000 for 30 years, they are going to pay in \$20,250. How much increase in maximum benefits would result from adding medical care to present benefits?

Mr. COHEN. You mean what would the dollar cost be?

Senator CURTIS. Yes.

Mr. COHEN. Under the level premium cost of 0.6 percent of payroll, it would result in level premium benefit costs of about \$1.9 billion a year under the medical benefit proposal that the President has sent to the Congress.

Senator CURTIS. That is what they start out with?

Mr. COHEN. No, that is the level premium. It would start out somewhat less than a billion dollars and then rise. The level premium in dollars would probably be in the neighborhood of \$1.9 billion per year in the long run.

Senator CURTIS. Well, now, is that any relationship between medical care benefits and the social security taxes paid by the social security taxpayer as to the amount of the benefits?

Mr. COHEN. No, sir.

Senator CURTIS. It is a flat benefits?

Mr. COHEN. Well, in the sense that you are using it, yes. That is, that the benefit is the same for all persons in similar circumstances, X days of hospital care, Y days of skilled nursing care, irrespective of the amount that they contributed or their wages; yes sir.

Senator CURTIS. Would you favor paying for medical care for OASI recipients out of general revenues?

Mr. COHEN. No sir.

Senator CURTIS. Would you favor adding a flat amount, like \$5 or \$10 to each person's social security taxes to pay for medical care, which is a flat benefit.

Mr. COHEN. I do not think I would. I have never really, I must say, thought of that as a possibility until you just mentioned it.

Senator CURTIS. I am not proposing it.

Now since today's young people are going to pay maximum schedule social security taxes for a lifetime, what would you think of immediately imposing the rate on taxpayers who are now middle aged or older and who will get the social security bargains in a few years?

Mr. COHEN. Well, I think that has some merit, but it draws you into another dilemma. That is, when you make the tax higher, which has many advantages, for bringing home this intimate relationship between contributions and benefits that I talked about, then you naturally increase the amount of excess of income over disbursements, and you would increase the size of the trust fund. Some people who feel that increasing the size of the social security trust fund has some disadvantages would not be in favor of that. So there is a case where conflicting elements—

Senator CURTIS. We shall try to remove some of the conflicts. There are people who have received tremendous bargains under social security?

Mr. COHEN. Yes, sir.

Senator CURTIS. And they will continue to?

Mr. COHEN. Yes, sir.

Senator CURTIS. At the same time you have outlined what this is going to cost our young people, especially the hard workers and the successful ones in the future—

Mr. COHEN. Yes.

Senator CURTIS. Would you or would you not favor immediately imposing a rate on taxpayers who are middle aged or older, who will get these bargains?

Mr. COHEN. If you only considered the question of the relationship of their contributions to their benefits, my answer to your question would be "Yes." I think it would be fair and equitable with respect to those individuals to charge them the level premium rate immediately.

But when you consider the other economic elements in building up the trust fund and its impact on the economy, then I would say in balance, which is what Congress has done over the last 25 years, I would have a more progressive increase—

Senator CURTIS. Are you not forgetting one important element?

Mr. COHEN. What is that, sir?

Senator CURTIS. The political element.

Mr. COHEN. Well, I think one must always take political elements into account, by which I understand the acceptance of the American people as to what seem to them to be fair and equitable; yes sir.

Senator CURTIS. I am not so sure about that. It is very easy to vote for a tax raise that is very high which is going to take effect 10 years from now and to raise benefits now. Congress has raised the social security benefits before every election for a long time, and there are going to be a lot of elections yet.

Mr. COHEN. May I just recount to you that I was one of these persons who, for some 8 or 10 years during the forties, recommended an increase in the tax rate when both Congress and business groups and others were not in favor of it. My experience in that field was rather disastrous for about 7 or 8 years in making the points that you are just making, that people should pay a high rate to reflect the benefit value that they are getting.

Senator CURTIS. Well, of course, that is not what you are doing now, Mr. Cohen. You are saying now, today, let us pay the hospital bills of everybody that is eligible for social security benefits, even though they have not retired and have never contributed a dime prior hereto. That is not any level premium, is it?

Mr. COHEN. Well, yes, I believe it is.

May I say this? Every pension system, including the civil service retirement system, passed by Congress, every private retirement system that is faced with the dilemma of getting started at a given moment of time, always has the problem of what do you do about the people who have retired previously. And what happens? This is a very grave difficulty and they say, well, in order not to discriminate against everyone, we shall bear that cost for the period when the system was not in operation and put it on the future beneficiaries or the employer.

Senator CURTIS. Well, now, does the President's recommendation offer health benefits to everyone over 65, assuming that the individual,

of 65 is out of the labor market and has no social security credits?

Mr. COHEN. No, it only provides it for those people who have contributed for, let us say, a minimum of six quarters.

Senator CURTIS. So you are taking some of the people and going to give them hospital insurance without a means test, some of the old people, and some you are not, is that correct?

Mr. COHEN. That is correct.

Senator CURTIS. And you approve it?

Mr. COHEN. Well, I think it is the most practical method, taking into account all the difficult factors involved.

Senator CURTIS. I agree; it is a political system.

Mr. COHEN. No, no.

Senator CURTIS. Oh, yes; I think it is.

Mr. COHEN. I do not think it is a political system. It is an evaluation, and an evaluation, may I say, Senator, that was made this committee and Congress all during the history of the social security program, to have a dual system of insurance on the one hand and assistance on the other to take care of those people who are not covered adequately by the insurance system. That philosophy, whether it is right or wrong, has been the philosophy imbedded in this program since 1935.

Senator CURTIS. But, Mr. Cohen, you departed from that. Of the people already 65, and I shall restrict my question to the retired, those who have a bit of social security credits, enough to qualify for benefits, no matter how tiny, will get hospital benefits paid for by the producers who pay taxes now—and they have never contributed to it—

Mr. COHEN. Senator, may I say this? Nothing would make me happier than if we did not have this dual system that we have—if we could somehow find a way where we did not have old-age assistance at all, and where everyone, under some system, call it whatever you want, was taken care of for these risks. But we have not been able, in our complex society, to devise that kind of system yet.

Senator CURTIS. I do not want the committee to feel that I am taking too much time. But I do feel that here is the one program in government that runs in perpetuity, and if the children and the young people have an interest in anything going on here, they have in this. So I am going to go on to another subject.

Mr. Cohen, I am very interested in the statement attributed to you by the University of Michigan News Service for October 28, 1958, which I quote from:

We could abolish want or poverty in the United States at a cost of about \$10 billion a year.

You are also reported as telling this conference of social workers that they should eradicate the depression psychology of a restrictive economy and plan a program reflecting the Nation's increase in ability to pay for security, welfare, and social needs.

Now the February 1961 Social Security Bulletin showed on table I that in the last 3 months shown, ending last October, we were spending under these programs at the rate of \$19 billion a year. Public assistance for October was an annual rate of \$4 billion a year. The extended unemployment compensation benefits would raise total social security benefits to over \$25 billion a year, would it not?

Mr. COHEN. Yes, sir.

Senator CURTIS. At the present time, \$25 billion. But we are far from abolishing poverty, are we not?

Mr. COHEN. That is correct, sir.

Senator CURTIS. Are not these costs already scheduled to rise by another \$10 billion in a relatively few years, without liberalization?

Mr. COHEN. I do not know about the exact amount, but they are scheduled to increase; yes, sir.

Senator CURTIS. They will go up \$10 billion in the 1960's, if we never vote another liberalization. That would make \$35 billion.

Now, do you think that this additional \$10 billion that is going to go up automatically will abolish poverty?

Mr. COHEN. The \$10 billion that you have just mentioned?

Senator CURTIS. It will go up automatically?

Mr. COHEN. No, sir.

Senator CURTIS. Is the \$10 billion you referred to as the cost of abolishing poverty a still further amount?

Mr. COHEN. Well, I would guess that if you included that \$10 billion in the next few years, without doing it very scientifically, I would say that maybe that would take off a billion or two, so there would still be maybe \$7 or \$8 billion left.

Senator CURTIS. Well, now, either the \$10 or the \$8 billion, or \$9 billion, would you give us a rough idea as to where this poverty-abolishing \$10 billion a year would come from and how it would be used?

Mr. COHEN. Well, I would hope that part of it would, of course, come from things like an increase in the minimum wage for those people who are working. In other words, when I talked about abolishing poverty, I was talking about the result of raising the income of these people.

Senator CURTIS. Here is your quote:

We could abolish want or poverty in the United States at a cost of about \$10 billion a year.

Mr. COHEN. Yes, sir.

Senator CURTIS. You were not referring to the Government?

Mr. COHEN. No, sir. I was talking about the total cost to our economy from whatever source derived, including increased wages that employers would pay, increased employment.

Senator CURTIS. I withdraw the question then, as to where the money would come from, if it was not Government funds.

Mr. COHEN. No, sir.

Senator CURTIS. Now, looking ahead 10 years, to 1970, how much do you think the general level of social security benefits should be increased?

Mr. COHEN. How much they should be increased? Well, I would say that if my hope that the gross national product would be 50 percent larger in 1970 than in 1960 were to come about, then I would hope that social security benefits, on the average, would reflect that same type of development. In other words, that they would be by that time, approximately 50 percent higher than they are today.

Senator CURTIS. As a matter of fact, you repeatedly are recommending a 50-percent increase in the level of social security benefits in the next 10 years, are you not?

Mr. COHEN. Yes, by the end of the 10-year period.

Senator CURTIS. With a minimum of \$50 and a maximum of around \$190 or \$200?

Mr. COHEN. That is correct.

Senator CURTIS. In other words, you believe that the maximum benefits should be at least \$200 by the end of the 10 years?

Mr. COHEN. Well, my thought was that the maximum benefits should reflect a ratio of 4 to 1, with a minimum benefit. So that \$50-to-\$200 range for a contributory wage-related system was what I was suggesting in there.

Senator CURTIS. Mr. Altmeyer, when he was Commissioner, used to say that social security benefits would be adequate when no more than 10 percent of the aged beneficiaries had to seek old-age assistance to meet their extreme needs.

Would you regard this as an acceptable criterion?

Mr. COHEN. I think in that article, or one of the articles, I suggested 5 percent as being an objective that I would set. In other words, I would like to see a lower level of old-age assistance than Mr. Altmeyer would.

Senator CURTIS. Because in 1950, 12 percent of the old age—of the aged were getting old-age assistance. In 1960, it was down to—

Mr. COHEN. Perhaps I am not understanding you.

Senator CURTIS. In February of 1960, only 6.7 percent of OASI beneficiaries were drawing old-age assistance.

Mr. COHEN. Yes.

Senator CURTIS. They estimate that by 1970, no more than 6.5 percent will. But you would say that social security benefits are not adequate until it gets down to 5 percent?

Mr. COHEN. Until the total proportion of aged people receiving old-age assistance is 5 percent or less. That was my test.

Senator CURTIS. I thought it was of the people receiving OASI.

Mr. COHEN. No; in my article, I used as a test 5 percent of the total aged population. Of course, by 1970, when we have 20 million aged people, 65 and over, 5 percent means a million people still—

Senator CURTIS. I was referring to your speech of November 18, 1958.

Now, several years ago, before the Ways and Means Committee, one witness stated:

We have to bear in mind that the purpose of social insurance, whether old age insurance or unemployment insurance, is to insure against a portion of the wage loss. Now, if the person has not retired and has not suffered a wage loss, then I do not believe, under the social insurance system, he should receive benefits.

Would you agree that social security should not provide benefits to people who have not retired or substantially retired, and hence have not suffered a wage loss?

Mr. COHEN. As far as cash benefits are concerned, yes.

Senator CURTIS. You would limit it to cash benefits?

Mr. COHEN. Yes, sir.

Senator CURTIS. Why?

Mr. COHEN. Because I think there is a distinction between cash benefits and medical benefits.

Senator CURTIS. Because of the advent of medical benefits.

Now, that was Mr. Altmeyer who made that statement in 1949, but he made no such distinction.

Mr. COHEN. I think he was, if I might be permitted, thinking only in terms of cash benefits at that time.

Senator CURTIS. A widow's social security benefit is three-fourths of her husband's primary amount?

Mr. COHEN. Yes, sir.

Senator CURTIS. In other words, her benefit is half what her husband and she would receive together or have been receiving as a retired couple?

Mr. COHEN. Yes, sir.

Senator CURTIS. Do you feel that this proportion should be continued or changed, and if so, in what manner?

Mr. COHEN. I think it should be increased.

Senator CURTIS. To what?

Mr. COHEN. I think it should be changed immediately to 85 percent.

Senator CURTIS. And eventually to what?

Mr. COHEN. I would hope eventually, if funds permitted, to 100 percent.

Senator CURTIS. How soon?

Mr. COHEN. I would hope within this 10-year period that we are talking about.

Senator CURTIS. In other words, you believe a widow should get as much in social security benefits as would a retired woman worker, whose benefits are based on her own record of covered earnings?

Mr. COHEN. I did not say the same benefit in dollars but the same proportion.

That is, that a single person, whether a single woman or a single man or a widow living alone, should be treated as one unit and get 100 percent of the primary benefit.

Senator CURTIS. Now, you have always argued for a wage-related benefit?

Mr. COHEN. Yes, sir. This would still be wage related.

Senator CURTIS. Men's wages are higher than women's wages, generally, are they not?

Mr. COHEN. Generally so.

Senator CURTIS. The widow within this 10-year period would get a benefit equal to 100 percent of her husband's?

Mr. COHEN. Right.

Senator CURTIS. She suffered no wage loss.

A woman who was working and retires would get 100 percent of her own wage record, would she not?

Mr. COHEN. She would probably get a lot higher in dollar benefits, because—

Senator CURTIS. No, she would get lower.

Mr. COHEN. It would depend on what her wages would be; it would be generally lower, yes, sir. In some cases, it would be higher but I would say generally, it would be lower, yes, sir.

Senator CURTIS. This widow may have paid nothing herself in social security taxes, because she never worked in a covered job, whereas a retired woman had paid such taxes for perhaps a good many years, and so had her employer. In other words, you feel that in this social benefit program a person may logically get a full benefit whether or not she has paid anything in social security taxes or not, is that correct?

Mr. COHEN. Yes.

I think she should be treated as a unit just like the workingman or workingwoman is; yes, sir.

Senator CURTIS. Is it not true that the benefits under H.R. 4222, the administration's social security health-care proposal, is a flat benefit? The same protection to anyone eligible, regardless of the underlying earnings record?

Mr. COHEN. I think I understand what you mean and my answer would be yes. I would not use it as a flat benefit, because that connotes that the dollar amount is the same for everyone, which is not true.

Senator CURTIS. Well, if they suffer the same illness, they get the same dollar amount, go to the same hospital, do they not?

Mr. COHEN. That is the point. They might go to different hospitals, and, in effect, get different dollars of benefits, because the hospital cost would be different in different hospitals and different communities.

Senator CURTIS. Well, to the extent that hospital costs might be different. But otherwise, it would be a flat benefit, would it not?

Mr. COHEN. Well, I prefer not to use that term, but I think I understand what you mean and the answer would be yes.

Senator CURTIS. And you favor that?

Mr. COHEN. Yes, I do.

Senator CURTIS. Do you know any expert in the field of social security who supports it?

Mr. COHEN. Why, yes, sir.

Senator CURTIS. Who?

Mr. COHEN. I could give you quite a list.

Senator CURTIS. Has Mr. Cruikshank ever said that?

Mr. COHEN. I am not—

Senator CURTIS. Mr. Altmeyer?

Mr. COHEN. I think Mr. Altmeyer does.

I have talked with him recently.

Senator CURTIS. Has he not also said that he favored benefits related to wages?

Mr. COHEN. Well, I have stated that too, Senator, and I always take those statements to mean in relation to cash wage loss benefits. I do not think you can apply the same principle to medical benefits.

The statements that you are quoting, I think, were taken at a time when they were testifying with respect to monthly cash benefits.

Senator CURTIS. But the fact would remain that this one-half of 1 percent tax, some people would get the same health insurance for 30 cents a year that others would pay \$30 a year for?

Mr. COHEN. 30 cents a year?

Senator CURTIS. Yes. It is \$50 in each quarter, is it not?

Mr. COHEN. Yes, I see what you did. This is on the basis of a person who has one quarter of coverage at the minimum earnings each year for 40 years.

Senator CURTIS. So you would provide all through this whole social security structure, as presented by Mr. Altmeyer and supported by a lot of people and argued against by a lot, you would give the same flat hospital benefits, except only as to the varying charges of hospitals, without relation to wage benefits, which could mean that some people would buy it for 30 cents a year and some of them \$30 a year?

Mr. COHEN. Yes, sir.

Senator CURTIS. Now, do you believe the present age of 18 should be the top age limit when children's benefits are discontinued?

Mr. COHEN. Well, as I said in one of my articles, I would hope that ultimately it would be increased to 21.

Senator CURTIS. Did you change your mind?

Mr. COHEN. No, sir.

Senator CURTIS. What do you believe the maximum family benefit should be by the end of this decade, 1970?

Mr. COHEN. Well, I would say probably in the neighborhood of \$250, \$300, something of that character. In other words, I think that—

Senator CURTIS. Have you ever mentioned anything higher?

Mr. COHEN. I think I did.

I do not recall offhand the amount, but I would have a family maximum that is related to the individual maximum just like it is in the present law, about twice as high.

Senator CURTIS. Now beginning with the amendments of 1950, Congress has several times increased the tax and wage base and the tax schedule rate, and at the same time, greatly increased the whole scale of benefits, including the maximum benefit. What criterion or standard do you feel Congress should adopt in making any changes in the taxable wages?

Mr. COHEN. Well, I think the standard that I used in making these suggestions for the \$9,000 was based upon this set of relationships. When Congress in 1935 established a \$3,000 wage base, that \$3,000 wage base in 1937-39 covered fully the wages of 95 percent of the people who were then working under the system, who were contributing or covered by the system. If one were to follow that same principle, which seems to have been inherent in the 1935 law, the wage base at the present time would then be a little bit more than \$9,000. That is how I got that.

Senator CURTIS. The 95 percent?

Mr. COHEN. The 95 percent figure.

Senator CURTIS. 95 percent of what so we get the record straight?

Mr. COHEN. 95 percent of the individuals who are working in jobs covered by the system, whose wages are fully covered by that wage base.

Senator CURTIS. Has the AFL-CIO taken a position on this particular item, of 100 percent?

Mr. COHEN. On 100 percent?

Senator CURTIS. Instead of 95 percent.

Mr. COHEN. Not that I know of, sir.

Senator CURTIS. Has it not been our experience in this country that as individuals make more money on their jobs, they are better able to save through their own efforts?

Mr. COHEN. Yes, I would say that is true and that would be a factor that would have to be taken into account in evaluating what the wage base properly ought to be.

Senator CURTIS. But it is true, is it not, that when workers earn more money, and this has been our experience even in times of rising prices, they are better able and do save more through their own efforts?

Mr. COHEN. They do, but I think there is also a distressing fact about our economy that some do not save more, and those are the kinds of people who do become eventually dependent upon public

assistance. So I think that factor has to be taken into account, if you want to protect the taxpayer from having to pay this burden through general taxes.

In other words, what I am trying to say, when you come to weigh what wage base to take into account, you would take the factor I mentioned, the factor which you mentioned, the extent to which people are saving on their own. But I think you would also want to take into account the extent to which, and the proportion of, the population that is not saving enough in terms of liquid assets to take care of an emergency when it comes.

Senator CURTIS. You are talking about taxes on higher wages.

Mr. COHEN. Yes.

Senator CURTIS. And even without doing any of that, we are spending \$25 billion in social programs, the Federal Government is, and it is going to go to \$35 billion in 10 years without changing the law. Is it not imperative for the future well-being and growth of our economy that we preserve the incentive and opportunity of every individual to save for various purposes, including some old age income protection.

Mr. COHEN. Absolutely.

Senator CURTIS. If you want to preserve this opportunity and incentive to save, would it not be unsound for Congress to adjust the taxable wage base upward so that some fixed percentage of four-quarter workers would have their total earnings covered by social security?

Mr. COHEN. Yes, I think if Congress were to make that kind of determination it would be very helpful.

Now, for instance, the last time you increased the wage base was in 1958. That is when you made it \$4,800. If you were to keep that same relationship, that \$4,800 was in 1958, you would have to raise the wage base today to \$5,400.

Senator CURTIS. Now, to go on to another subject, do you think the retirement age for women should be reduced below 62 and for men below 65?

Mr. COHEN. I do not at the present time think so; no, sir. Although at one time, I did think so.

Senator CURTIS. You have advocated that?

Mr. COHEN. I did advocate at the time the Advisory Council on Social Security, appointed by the Senate Finance Committee recommended that the age for women be 60, I did support that at the time, and on other occasions.

But on reevaluating the cost of that and the priority, I do not think now I would recommend it.

Senator CURTIS. Now, you do feel that by 1970, we should do these things—one, the benefit level should be increased by 50 percent. You so advocate?

Mr. COHEN. I would hope so; yes, sir.

Senator CURTIS. Two, that the widows benefits should be increased from 75 to 100 percent of her deceased husband's primary benefit?

Mr. COHEN. Yes, sir.

Senator CURTIS. Three, you do not believe in reduced age for women, reducing it to 60?

Mr. COHEN. I do not think that has as high a priority; no, sir.

Senator CURTIS. Do you think it should be done in a few years?

Mr. COHEN. Well, at the present time, I would say no. But I would be perfectly willing to reevaluate it in the future, depending upon women's employment and their wages and the costs of that particular proposal.

Senator CURTIS. And four, you do recommend a family maximum benefit should be raised from \$250 to maybe \$350?

Mr. COHEN. Something like that; yes, sir.

Senator CURTIS. And benefits to children should be paid up to 21 if they continue in school?

Mr. COHEN. That is correct.

Senator CURTIS. How much would all of these increases do you think—how much would it cost by the end of the decade?

Mr. COHEN. By 1970?

Senator CURTIS. Yes.

Mr. COHEN. Well, I do not know—along with a \$9,000 wage base, of course, that you mentioned, right? My proposals were coupled with the increase in this base.

Senator CURTIS. Yes, sir.

Mr. COHEN. I would think that my proposals, to increase benefits 50 percent, to raise widow's benefits to 100 percent, to pay child's benefits to age 21 if in school, to raise the family maximum benefit to an appropriate amount, and to increase the wage base to \$9,000, would probably cost another 1½ percent of payroll in 1970 over the 9-percent contribution rate for that year now scheduled.

Senator CURTIS. I mean how much would the payments increase?

Mr. COHEN. Dollars, I do not know, offhand.

Senator CURTIS. Under the present program in 1970, it will cost about \$17.3 billion. I have checked with the actuarial service and these additional benefits that you advocate would run at least \$11 or \$12 billion more.

Mr. COHEN. Of course, the payroll base would be a lot more and the income would be a lot more, so that the relative cost increase as a percentage of payroll would not be that substantial.

Senator CURTIS. Well, now, what would be the tax rate if the wage base stayed at \$4,800?

Mr. COHEN. For what I propose?

Senator CURTIS. Yes.

Mr. COHEN. Well, I do not know offhand, but probably it would have to be somewhat more than what it would be if it were \$9,000; I suppose about 1½ percent more.

Senator CURTIS. I think that, according to Mr. Myers, the cost increases would require a combined rate of 15 percent on a \$4,800 wage base—that is employee and employer—and a combined rate of 13 percent if the wage base was \$9,000. That would mean on self-employed social security tax of \$11.5 in the one instance or, if it was on \$9,000, of \$10.5.

Mr. COHEN. Well, all I can say, Senator, is that to have a rather reasonably adequate kind of system, it costs a lot of money. I think that point should be forcefully brought home to the American people. If that is the kind of protection they want, they have to pay for it. Almost any type of pension or retirement system that I know of—such as my own retirement system at the university—costs 15 percent of payroll, excluding social security. So I think that just brings home

the point that these kinds of protections do cost substantial amounts of money.

Senator CURTIS. You favor this?

You favor a program that costs that much?

Mr. COHEN. Yes, I do. I think if we are going to achieve the objective of providing this type of security, we must bring home indelibly to the American people that they have to pay this cost.

There is no escape from that.

Senator CURTIS. What is the difference between someone who is entitled to social security benefits and someone who is eligible?

Mr. COHEN. Well, I think the concept that is used is that a person would be eligible by having sufficient quarters of coverage and the age, and entitlement is when you actually apply for the benefits in accordance with administrative procedures.

Senator CURTIS. Now, the health benefits, if they are eligible, make the application, but do not stop work, they would still get it?

Mr. COHEN. That is true.

Senator CURTIS. This is not so of the others?

Mr. COHEN. That is correct.

Senator CURTIS. And that was—Well, I withdraw that question. Did you support the Wagner-Murray-Dingell bill in 1946?

Mr. COHEN. Yes, sir.

Senator CURTIS. When the Senate Labor Committee held hearings on that bill, Mr. Altmeyer said:

Voluntary insurance against the costs of medical care have been tried and found wanting. The principal reason why voluntary programs have not succeeded and cannot succeed is economic.

At the same hearings, Mr. Green, president of the AFL said:

Voluntary health insurance has been found impractical for the great masses of people.

Did you agree with those people then?

Mr. COHEN. Yes, sir, and I think the advocacy of that system had more to do with propelling voluntary insurance to do a good job than almost anything else on the scene.

Senator CURTIS. Would you say that anything today disproves that contention?

Mr. COHEN. Disproves that?

Senator CURTIS. Yes.

Mr. COHEN. No, I have testified in the House Ways and Means Committee that since that time, I think they have done a much more satisfactory job, and on the basis of that concrete evidence, I am no longer supporting a bill like the Wagner-Murray-Dingell bill. In other words, as experience demonstrates that there has been a change in circumstances, I change my mind, too.

Senator CURTIS. Now, did you testify on the Forand bill in 1959 before the Ways and Means Committee?

Mr. COHEN. Yes, I believe I did.

Senator CURTIS. Did you say:

I have in the past taken a position that they, people under 65—well, 65 and over—but I would not take that position at the present time, because I believe the voluntary plans and other arrangements have been successful and a good approach for the other people. In other words, my philosophy is not that the Government should do everything?

Mr. COHEN. That is correct, I made that statement.

Senator CURTIS. And you have said here today that health insurance, voluntary health insurance, could meet the problem of the people under 65?

Mr. COHEN. I do not think it can meet the problem 100 percent, but I do not think that is the objective. I think the voluntary health insurance system under the age of 65 is doing a reasonably satisfactory job, and that with some supplementation by the other methods, it can continue to do a good job. Not everybody under 65—

Senator CURTIS. Yes, but the people who contended in 1946 that it could not do the job for the great masses of people were badly mistaken, were they not?

Mr. COHEN. They were wrong, yes, sir.

Senator CURTIS. Now, does H.R. 4222 call for three funds in the Treasury for social security, three accounts?

Mr. COHEN. Yes, it does, yes, sir. There would be three accounts in the social insurance trust fund: OASI, disability insurance, and health benefits.

Senator CURTIS. Now, the health fund—all of the retired beneficiaries of OASI would be eligible to draw from that, would they not?

Mr. COHEN. Yes, sir.

Senator CURTIS. In case they applied.

Mr. COHEN. Yes, in case they had applied, yes.

Senator CURTIS. None of them would have or will contribute to that account, will they?

Mr. COHEN. That is correct.

Senator CURTIS. So there would have to be taxes levied on other people or else out of general appropriations?

Mr. COHEN. Well, the bill provides that the taxes in the future to the fund would cover those costs.

Senator CURTIS. So, so far as the people who will benefit in the immediate future under the administration's health program, they will be drawing from an account but will put nothing in?

Mr. COHEN. That is correct.

Senator CURTIS. Now, the task force report says:

This system permits people to contribute during their working years to the relatively heavy cost of medical care in their later years.

That is not entirely true, is it?

Mr. COHEN. Well, it is true once you adopt the policy for the future, but it obviously cannot be true retroactively.

Senator CURTIS. Do you anticipate that medical costs will rise in the next 10 years?

Mr. COHEN. Yes, sir.

Senator CURTIS. Will that increase the cost of this program?

Mr. COHEN. Well, it may. There is an element already included in the actuarial cost estimates of a relative amount of 14 percent increase, and an increase that is related to the wage structure, but it is entirely possible that hospitalization costs may be higher than anticipated; per diem hospital costs have risen 100 percent in the last 10 years, an average of 10 percent per year. If that should happen during the next 10 years, we would be in a simply tremendously difficult situation.

Senator CURTIS. So your tax proposal would not be adequate, then, would it?

Mr. COHEN. If there were a 100 percent increase as in the past, no sir.

Senator CURTIS. Now, Mr. Cohen, I do not think you felt this time would ever arise, but I am coming to my last question.

Mr. COHEN. Thank you.

Senator CURTIS. I can understand your relief. I am sorry to take so much time.

Mr. Chairman, I think you might be interested in this.

According to the information given to the committee today changes in the present social security program which you, Mr. Cohen, think we should achieve by the end of this decade would mean that with the wage base of \$9,000, the combined tax rate would amount to 14 percent—that is, 7 percent on employees and 7 percent on employers. If medical care was extended to all those under 65 the tax rate would be an additional 5 or 6 percent, would it not.

Mr. COHEN. I do not know what you added in there.

But you say 5 to 6 percent of payroll?

Senator CURTIS. Yes.

Mr. COHEN. On a \$9,000 wage base?

Senator CURTIS. Yes. If you apply the administration's proposal to everybody, like the Wagner-Murray-Dingell—

Mr. COHEN. Oh, under 65?

Senator CURTIS. Yes.

Mr. COHEN. Yes; I think that is correct—which I am not proposing.

Senator CURTIS. But you did in 1946?

Mr. COHEN. Yes.

Mr. CURTIS. This means that by the end of this decade social security will be costing about 14 or 15 percent of payroll if the health insurance benefits are limited to those over 65. If compulsory health insurance was extended to everybody, the total payroll tax would be up to 19 or 20 percent. If it was a 20-percent rate, the self-employed rate would be 15 percent. This a maximum tax on an employer of \$900 per year and a like amount on an employee, and the maximum tax on a self-employed person making \$9,000 would be \$1,350 if we do what you advocated today plus what you advocated in 1946.

Under the present income tax laws, a man making \$9,000 and self-employed, if he is married, pays \$1,438 in Federal income taxes. If he has two children, he will pay \$1,174. Yet, in the hypothetical case I have made, that man, married with two children, with income taxes of \$1,174, would have social security taxes of \$1,350.

Do you feel that as much of that man's earnings of \$9,000 as a Federal tax source should be devoted to this one single program of social security as is available to help finance all other activities—the functions of the Government, the paying of the national debt, and defense of our country?

Mr. COHEN. Yes; I do Senator. In the first place, they are four different programs, not one program. That man and his family and the National are getting protection with respect to old-age survivors insurance or life insurance, disability insurance, and medical benefits. So there are four protections against some very major economic hazards of life.

Secondly, I would say this. A good deal of what you said in that extra 5 percent is not an additional burden upon the individual, the family, or the economy, but merely a replacement of costs that are now met out of pocket.

We are spending in the Nation today something in the nature of \$20 billion a year for medical care. Now, merely financing it through Blue Cross or Blue Shield in another way does not increase the cost; it merely transfers that cost from out-of-pocket payments to a more rational prepayment plan. That is what Blue Cross did.

Senator CURTIS. Now you have forced me to ask another question.

Mr. COHEN. I am very sorry.

Senator CURTIS. It is not that at all. This is a compulsory program, carried by taxes. The individual has no choice in it. It is either going to run in perpetuity as long as this Republic lasts, or there is going to be a future group of beneficiaries who will not get what they have been promised. And the individual will have more taken out of his earnings for social security in its broad sense under the program you have advocated for the next 10 years than he will be paying to maintain this Government, pay off its national debt, and defend the country.

Mr. COHEN. I do not want to argue that he should pay more Federal income taxes. But I do believe that for the security that he and his family, and for the security that this Nation is getting so that he not be dependent, it would be value received for what he is contributing.

Senator CURTIS. I want to thank you for your patience. You have been truthful in replying to the questions as to the program that you have promoted through the years. I stand by the statement that I think you know more about what it costs than anybody, because you planned it all.

I say to you, Mr. Chairman, that I apologize for taking so much time. I appreciate the chairman's courtesy.

Senator BENNETT. Mr. Chairman, I am given to quotations, as my friend from Illinois is, occasionally, and my current contribution is a tag end from an English poem entitled "Gilpin's Ride":

Stop, stop, John Gilpin
Here is the place, we all loudly cry;
The dinner waits and we are tired;
So, Gilpin, so am I.

Mr. COHEN. I concur wholeheartedly.

Senator DOUGLAS. Mr. Chairman?

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Mr. Chairman, I had not expected that we would have such a lengthy examination of the principles and operations of the social security system. I thought we were going to deal with the qualifications of Mr. Cohen. Mr. Cohen is well known as probably the greatest expert on social security that we have. Someone once said that an expert on social security is a person who knows Wilbur Cohen's telephone number. I think that may well be true.

I hope you will forgive me if I ask a few brief questions.

The first question I would like to ask is: What percentage of the administrative costs of the social security system are (a) benefits and (b) contributions?

Mr. COHEN. They run to about 2 to 2½ percent of contributions and benefits at the present time, Senator.

Senator DOUGLAS. Do you know of any private insurance company which has as low administrative costs as this?

Mr. COHEN. No, sir; I do not think it is possible for them to have that low a cost.

Senator DOUGLAS. So that the money which is paid in is virtually all distributed, and the costs of the overhead—the overhead costs of administration are extremely low?

Mr. COHEN. Yes, sir.

Senator DOUGLAS. Am I correct in understanding that the principle of insurance is that there can be small contributions of the many in order to compensate for large losses which would otherwise be suffered by individuals?

Mr. COHEN. Yes, that is my definition of insurance. May I say, Senator—I am glad you brought it up—I do not think the definition of insurance involves the exact relationship between what an individual has contributed and what he gets out. It involves a relationship between the total paid in and the total paid out. That is what I consider the correct definition of insurance, and is what entitles this system to be called insurance and why the Congress did call the tax provisions, the Federal Insurance Contributions Act.

Senator DOUGLAS. In other words, what is aimed to be done is to provide full protection against the risks of life, which, of experience, fall with crushing weight upon the individual, is this correct?

Mr. COHEN. That is correct.

Senator DOUGLAS. And it does this in two ways: A, by a type of compulsory savings, and B, by a pooling of risk so that the minority who may suffer do not have the losses which would otherwise be present?

Mr. COHEN. That is correct.

Senator DOUGLAS. And this second point is the principle of fire insurance?

Mr. COHEN. Yes, and that definition of insurance which I think you are expressing was expressed by a House of Commons select committee as far back as 1834, and is what I consider the correct definition of insurance, which many critics of the social security program do not properly use in attacking it as not being insurance.

Senator DOUGLAS. Now, may I ask, assuming that benefits do not increase and the contributions do not increase, and assuming that the average covered wage does not increase, what will the reserve of the social security system be, approximately, in the year 2000?

Mr. COHEN. The Chief Actuary of the Social Security Administration makes three estimates—the low-cost estimate, the high-cost estimate, and the intermediate estimate. In those three, the intermediate estimate, as you know, is the one that is always used by the committees in Congress to determine the tax schedule, and probably represents the fairest expression of what seems to be the best usable figures. The estimated balance in the trust fund is quite substantial in the year 2000.

Senator DOUGLAS. Is it not approximately \$120 billion?

Mr. COHEN. The estimated balance in the OASI Trust Fund in the year 2000, according to the intermediate cost estimate is \$140 billion.

Senator DOUGLAS. And that thereafter the system would be self-supporting with the deficit of current contributions, as compared to current benefits, being offset by the interest upon the reserve, is that not true?

Mr. COHEN. That is right.

Mr. Myers' estimates of the contribution yield are such, and he sets the contributions in accordance with the policy determined by Congress to be sufficient to yield enough surplus during the early periods of the system to build up a reserve, the interest earnings of which are to be added to the income, and thus take care of the benefit disbursements for all time to come.

Senator DOUGLAS. It is sometimes alleged and I thought one of the questions of my good friend from Nebraska leaned in this direction, that the system as of this moment is insolvent. But if you take the long run view of the systems, the system will be completely solvent, is that not true?

Mr. COHEN. Well, the system is solvent today. The system has been solvent ever since it was set up. The actuarial estimates and the contributions yields determined by Congress are intended to keep it solvent for all time to come by the definition that the income to the system, including contributions plus interest, should always be sufficient to cover the benefit payments plus administrative costs.

Now, of course, the estimates might turn out to be incorrect, but periodically, when Congress has restudied the act, it has always revised the income and outgo so as to keep that result.

Senator DOUGLAS. And is it not true that in practice, it has been found that the assumption that earnings will remain constant has not been correct, and the increase in average earnings has therefore increased revenues above what was originally planned?

Mr. COHEN. Yes, sir; we take, recognizing the historic increase in wages which have occurred, and which your works have always so well demonstrated, we believe that this same thing would happen historically, but we have not taken that into account in making the estimates. Because while I think we would agree that it is not only likely, it is most likely to happen, nevertheless, it would involve a certain degree of piercing the future, which we have not done. So I think we are on the conservative side in all of our estimates.

Senator DOUGLAS. In other words, the actuarial estimates are based on the assumption that there will be no increase in average earnings?

Mr. COHEN. That is correct.

Senator DOUGLAS. And that in practice, here has been such an increase at the rate of somewhere around 2 percent a year?

Mr. COHEN. That is correct; I would be perfectly willing to stake myself out, in the kind of free enterprise and dynamic economy we have, that this trend will continue to happen as a minimum in the future. That is the reason why, in relation to these prognostications I made, I feel all of those costs are on the conservative side.

Senator DOUGLAS. Thank you very much.

The CHAIRMAN. Any other questions?

Senator CURTIS. One question.

Mr. Cohen, this trust fund interest income, where will that come from?

Mr. COHEN. Well, the interest has to come, of course, from appropriations for payment of interest on the national debt, made by Congress out of general revenues from the general taxpayer.

Senator CURTIS. Yes; now, do you propose that we pay benefits in bonds or in cash?

Mr. COHEN. Cash.

Senator CURTIS. We have so many bonds in the trust fund. The recipients want cash. To get them cash, you either have to tax the people to get cash to pay off those bonds, do you not, or sell some more bonds?

Mr. COHEN. Right.

Senator CURTIS. Or inflate the money?

Mr. COHEN. I hope not the latter.

Senator CURTIS. So when you go to pay these benefits, would it make any difference whether you have this size reserve fund, or one that measures much bigger? You are going to have to pay it in dollars. The only honest way you get dollars is to tax the people then or to sell more bonds. That is true, is it not?

Mr. COHEN. Yes.

Senator CURTIS. That is all.

Mr. COHEN. But I do not think that means that anybody has to pay twice, Senator.

Senator CURTIS. I did not say that. I think this is costing enough to pay for at once.

The CHAIRMAN. Thank you very much, Mr. Cohen.

Mr. COHEN. Thank you, Senator.

The CHAIRMAN. The next witness is Dr. Marjorie Shearon of the Coalition of Patriotic Societies of Ohio, Inc.

STATEMENT OF DR. MARJORIE SHEARON, ON BEHALF OF THE OHIO COALITION OF PATRIOTIC SOCIETIES OF OHIO, INC., ACCOMPANIED BY MRS. RICHARD D. YOUNG

Senator KERR. Mr. Chairman, could I ask a question?

What is the Coalition of Patriotic Societies of Ohio, Inc? Is that a corporation?

Dr. SHEARON. What is it?

Senator KERR. Is that a corporation?

Dr. SHEARON. It is a corporation, yes, incorporated. It is the Patriotic Societies of Ohio.

Senator KERR. That is the name of it?

Dr. SHEARON. That is correct.

Senator KERR. Do you have the charter of it?

Dr. SHEARON. No, not at all. They just asked me if I—I could get it.

Senator KERR. Well, would you get that for the record?

Dr. SHEARON. Surely.

(The following information relative to this charter was obtained by the committee clerk from the Ohio secretary of state:)

THE OHIO COALITION OF PATRIOTIC SOCIETIES OF OHIO, INC.

Incorporated: July 29, 1952, in Columbus, Ohio.

Principal office address: University Station, Post Office Box 3111, Columbus Ohio.

Agent and trustee: William E. Warner, 2898 Neil Avenue, Columbus, Ohio.
 Other trustees: L. R. Ramey, 60 East Broad Street, Columbus, Ohio; M. C. Anderson, 150 East Broad Street, Columbus, Ohio.

Filed statement of continued existence in 1960, signed by William E. Warner as chairman.

Purposes: 1. To establish an independent, nonprofit, nonpolitical, nonsectarian organization, dedicated to the preservation of "Americanism."

2. To acquire and disseminate security information and educational material pertaining to the American way of life, in the spirit and keeping with the Constitution of the United States of America, and to combat all un-American activities.

3. To purchase, acquire, lease, hold, mortgage, pledge, exchange, sell, and convey personal and real property of every kind, nature, and type, whatsoever, and wheresoever situated, and any interest therein.

4. To receive, hold, invest, and distribute gifts and bequests and other funds.

5. To do any and every act permitted by law to a corporation not for profit.

Senator KERR. Mr. Chairman, I have been reading the testimony to be given by Dr. Marjorie Shearon. I see some very significant statements. I would like to request that the witness be put under oath.

The CHAIRMAN. The request has been made that the witness be put under oath.

Dr. Marjorie Shearon, do you solemnly swear that the testimony you are about to give in these proceedings will be the truth, the whole truth, and nothing but the truth, so help you God?

Dr. SHEARON. I do.

You should have put Mr. Cohen under, I should say.

Senator KERR. Under what?

Dr. SHEARON. Under oath.

Senator KERR. I thought you were going to put him under.

Mrs. SHEARON. I have been asked to limit my time to about a half hour, and I guess it would be easier on you, and I do not mind, if my full statement can go into the record as though I had given it, please tear off the last page. I see that this is going to my subscribers and I have a price list on it which, of course, is not part of the testimony.

The CHAIRMAN. I notice you are selling copies of your testimony. Did you offer this for sale whether you deliver it or not?

Mrs. SHEARON. I wanted to print this for the reason that I did not want the same thing to happen that happened with Mr. Weaver, that before the Senators could see the printed testimony, they voted on Mr. Weaver on the floor. So I decided very suddenly that I would print my testimony so it would be available to the other Senators once I had given it, and to the press.

The CHAIRMAN. Are you going to sell it to the Senators, or give it to them?

Mrs. SHEARON. Oh, no. Not counting printing, this is costing me \$1,000 of my personal money—not my business money—to give this.

The CHAIRMAN. On this last page, you have, "Single copy, 75 cents; 5 copies, \$3.50; 500 copies, \$250," and so on.

Mrs. SHEARON. There is great interest in this.

The CHAIRMAN. You have not offered copies for sale prior to the time you delivered this?

Mrs. SHEARON. No.

The CHAIRMAN. You want this taken off?

Mrs. SHEARON. Yes, of course. I would not want to include that; tear it off.

You see, also—

Senator KERR. I would like to know also, Doctor, you asked that this be made a part of the record as your testimony?

Senator BENNETT. Yes, she has asked that.

Mrs. SHEARON. Oh, yes; surely.

Senator KERR. Do you apply the oath you have taken to the statements in this pamphlet?

Mrs. SHEARON. I beg your pardon?

Senator KERR. Do you apply the oath you have taken to the statements in this pamphlet?

Mrs. SHEARON. Nothing in this world could make me tell a lie. Does that answer the question?

Senator KERR. I did not ask you that.

Mrs. SHEARON. I told you under oath that I would tell the truth, the whole truth, and nothing but the truth.

Senator KERR. I just asked you if the oath applies to what is in the pamphlet.

Mrs. SHEARON. Yes, of course.

Will you also tear off page 43, in which I made a condensed list of the persons who have asked me to testify for them, the persons and the organization? I would assume that you would prefer to have the original letters and telegrams in the hearing record, rather than my condensation. I could not afford to print the letters and telegrams I have received. My testimony ends at page 42.

(See further discussion of this subject at end of Dr. Shearon's oral remarks. Page 43 was retained to show a more comprehensive list of supporters.)

The CHAIRMAN. Well, your desire is to speak for 30 minutes, is that correct?

Mrs. SHEARON. I think I can do it, yes, and then to have the whole thing in as though I had given it.

The CHAIRMAN. The part of your statement that you have not delivered in person will be included in the record. Is this what you desire?

Mrs. SHEARON. Yes, I hope it will be in regular-sized type as if I had spoken it. I do not like the small-sized type.

The CHAIRMAN. You may proceed for 30 minutes, and we shall adjourn in 30 minutes.

Mrs. SHEARON. Very well.

I shall skip over my qualifications.

I have known Mr. Cohen for 25 years. I came to Washington in 1935—December—to the WPA in the Harry Hopkins era, moved over to social security on the request of Helen Jeter in the Bureau of Research and Statistics. I left there on April 15, 1945, and went to the Public Health Service, on the Surgeon General's staff.

I left Government service in January 1945 and was almost immediately employed by the Republican Policy Committee as an expert on social security and compulsory health insurance.

I wrote the economic brief for the defense of the Social Security Act before the Supreme Court in 1937, so that I have been following the system.

Senator CURTIS. Could I ask a question right there?

You wrote the brief that sustained the Government's position that the act was constitutional?

Mrs. SHEARON: I wrote the economic brief, interlocked with the legal brief.

Senator CURTIS. Not the legal brief?

Mrs. SHEARON. No, not the legal brief. Although they interlocked, I knew not a thing about the plan of the legal brief. They went through the press the same night—

Senator CURTIS. I know your time is short. I did not want to go into that. If it was the legal brief, I had a question.

Mrs. SHEARON. No, it was the economic brief.

I took my three degrees from Columbia in 1916. I took my Ph.D. and majored in mathematics and pure science research.

I have with me Mrs. Richard-D. Young, an expert on subversion in the educational process and on subversion in general. She is the immediate past president of the Parents Educational Research Organization of Arlington, Va., whose tenets were commended by the DAR and nationally distributed. Mrs. Young is also a member of the Daughters of the Confederacy.

I realize that no member of this committee would turn down a Presidential appointee unless there were very weighty reasons. I realize that the most weighty would be subversion and moral turpitude. I am confining my remarks to those two aspects of this appointment.

I am going to take you quickly over 25 years of subversion in this country, and I go back just a little further to the year 1919. At that time, the International Labor Organization was formed in Geneva as a part of the League of Nations. The United States did not then join the League.

In that same year in this country, the Communist Party USA was formed.

In 1930, the International Workers Order was created by the Communist Party. The general secretary of the IWO was German-born, Max Bedacht. He was, as Chambers put it:

* * * that quiet little man—

that is Max Bedacht—

had been for years a permanent link between the Central Committee of the American Communist Party and the Soviet Military Intelligence in the United States.

You can follow this on the chart in the middle of my testimony.

I am giving you a number of separate things at the moment. They are the pegs, the stakes, around this country and the world to which the net of subversion was later tied.

In 1933, there were three espionage groups formed here in Washington, formed in the Department of Agriculture by Harold Ware, also known as Hal Ware. The three espionage groups were the Nathan Gregory Silvermaster Group, the Perlo Group and the Ware-Abt Group. One of the members of two of those groups was Charles Kramer. His real name was Kravitsky. He worked for the NYA, the La Follette committee, the NLRB, the OPA, the Democratic National Committee in 1944, and ended up with the Pepper Subcommittee on Labor in 1945 and 1946. This was the espionage agent, Charles Kramer.

By the way, I have given you photostatic documentation of my statements in these dossiers which I have prepared for you. They

are arranged in chronological order for your convenience in locating the different documents.

(The dossiers referred to appear at end of Dr. Shearon's complete statement.)

Another one of the espionage agents was Lee Pressman. He was the General Counsel for the WPA in 1936. He left just as I was coming into WPA in December of that year.

After his espionage job here in Washington, he went to the CIO, where he remained from 1936 to 1948 as their general counsel. He was asked by John L. Lewis—

Senator ANDERSON. When was WPA formed?

Mrs. SHEARON. This was Lee Pressman.

Senator ANDERSON. You say he was General Counsel for the WPA in 1935?

Mrs. SHEARON. No—

Senator ANDERSON. Thank you. I knew he was not and I wondered.

Mrs. SHEARON. No, let me see. I think he was. He was either the General Counsel or the Assistant General Counsel. It is in my text, anyway.

Senator ANDERSON. At what time was that?

Mrs. SHEARON. That was in 1935. He left in 1935 to become the general counsel of the CIO, and he held that position from 1936 to 1948.

Senator ANDERSON. When was the WPA started?

Mrs. SHEARON. WPA was, oh, about 1933 or 1934; right after Roosevelt came in. Then they merged into the FERA, and then they just went out when social security came in.

Senator ANDERSON. I suggest you might start checking your dates, because FERA and SERA were first, then OWA and WPA started July 1, 1935, I believe.

Mrs. SHEARON. It was a short-lived organization.

Senator ANDERSON. No, not too short-lived.

Mrs. SHEARON. I was not in Washington at the time. I remember it in New York City. I thought it was earlier, but it is a small point.

Senator ANDERSON. I was a field agent for FERA, and I think I know when the WPA started.

Mrs. SHEARON. John L. Lewis asked the espionage agent Pressman to organize the Steel Workers of America. He was assisted by Can Bittner, a member of the Communist International Workers Order. John J. Abt, another of the espionage agents, was also in the WPA as a counsel, either General Counsel or Assistant General Counsel. It is in my text. This was in 1935.

That is right, he was the Assistant General Counsel and Pressman was the counsel at that time for the WPA.

John Abt then went to the LaFollette Civil Liberties Committee in 1936. He then became the chief counsel of the Amalgamated Clothing Workers—this is the espionage agent—from 1938 to 1948. Then he went to the Progressive Party, which was organized in April 1948. It was Communist-controlled.

Now, let us turn to the two nongovernmental lobbies. These were organized to put pressure on Congress to pass compulsory health insurance. The one lobby was organized at the instance of the Communist Party. It was the Physician's Forum, Inc., and there is testi-

mony to the effect that it was initiated by the Communist Party. Dr. Bella Dodd, the Communist, so testified.

The head of this organization, the Physicians Forum, was the late Dr. Ernst P. Boas. He had his own record of subversion, and he announced that he had written for the International Communist Workers Order. What I am demonstrating here is that this was Communist-inspired and has been so through the years, and that everywhere you turn in this whole field of social insurance, you run into communism and subversion.

The second lobby that was organized was the Committee for the Nation's Health. That was started through an advertisement on December 4, 1945, paid for and sponsored by 192 persons, who cut across the economy of this country—businessmen, playwrights, authors—just about every type of professional and business person that you could expect to find. They put this ad in the paper on December 3, 1945, and just a few days before, on November 14, 1945, President Truman introduced his health message, and Senator Wagner introduced his S. 1606, with the President's blessing.

This Committee for the Nation's Health was incorporated on February 23, 1946. There were 166 charter members, of whom 92 had subversive records.

Included in the membership was Agnes Smedley, the Soviet spy who worked in the Far East. Her affiliations have been described in the internal security report on the Sorge spy ring.

Another person in the Committee for the Nation's Health was Carol Weiss King, the attorney for the Communist Party, the one who helped Gerhart Eisler get out of the country. Another person was Roger N. Baldwin, who, after he had been out of Harvard for 25 years, wrote for the yearbook, "Communism Is the Way."

There are others of the same type. This was the second lobby. There were two nongovernmental lobbies to promote compulsory health insurance legislation. The Committee for the Nation's Health, at the end of 1944 and for the preparation of the oncoming Wagner-Murray-Dingell bills, put out a little pamphlet called, "Principles of a Nationwide Health Program, Report of the Health Program Conference." It had 29 sponsors and was presumably a nongovernmental outfit, a research outfit, being operated by Michael M. Davis. But 6 of the 29 sponsors were Federal employees, who stood to benefit if this program went through. The second photostat in the dossier "Principles of a Nationwide Health Program"—on that among the 29 sponsors were the 6 Federal employees, including the Director of Research and Statistics in the Social Security Board, a doctor loaned to the Farm Security, Dr. Mott from the Public Health Service; Kenneth Pohlmann, in the Farm Security, now with United Auto Workers.

There were also, along with these Federal employees, the head of the Communist Physicians Forum, Dr. Boas.

Senator ANDERSON. Are you referring to this [indicating]?

Mrs. SHEARON. No, I am not. That is later. That is the December 4. That is not what I am referring to now, but it is good to look at, 192 sponsors. Nearly 100 of them have subversive records, and they were incorporated February 1946 as the Committee for the Nation's Health.

Senator ANDERSON. What is this sheet about President Truman's health plan?

Mrs. SHEARON. That was the sheet put in immediately following S. 1606, the Wagner-Murray-Dingell bill of that time.

Senator ANDERSON. Are these people a little bit leftish?

Mrs. SHEARON. I do not know what you would call a little bit leftish. They have subversive records.

Senator ANDERSON. Are they quite a little bit leftish?

Mrs. SHEARON. They have subversive records. I would call that quite a little bit leftish.

Senator ANDERSON. The first is a man named Gerald Swope of General Electric Co.

Mrs. SHEARON. I know. You see, you always have the goodlooking names.

Senator ANDERSON. The next is David Sarnoff. Which side is he on, the goodlooking names or the subversive?

Mrs. SHEARON. He does not have a record.

Senator ANDERSON. Does Mr. Rosenwald?

Mrs. SHEARON. Oh, my, yes.

Senator ANDERSON. He does?

Mrs. SHEARON. Yes.

Senator ANDERSON. Gardner Cowles, commonly known as Mike Cowles?

Mrs. SHEARON. Well, he helped them along a lot.

Senator ANDERSON. He did?

Mrs. SHEARON. Yes. There is an awful lot in this subversion field that is not generally known to the Senators.

Senator ANDERSON. I do not know a lot about my colleagues, I shall have to admit that. Albert Lasker?

Mrs. SHEARON. He helped to finance the Committee for the Nation's Health that had all the Communists in. He gave a \$6,000 contribution.

Senator ANDERSON. He did?

Mrs. SHEARON. He did.

Senator ANDERSON. You sort of suspect him, then, do you? He is dead now. We can speak of him freely.

Mrs. SHEARON. He is dead now, although his young widow is spending his money furiously, along the same lines.

Senator ANDERSON. Fairly sensibly, though, would you not say?

Mrs. SHEARON. No, not at all. I do not believe in communism or socialism at all.

Senator ANDERSON. Do you think she does?

Mrs. SHEARON. I think she is just fooled, that is all. She does not know what she is doing. She is being led around by some of these boys who do know what they are doing and have these plans, you know.

Senator ANDERSON. Really?

Mrs. SHEARON. Really.

Senator ANDERSON. I see Anna Rosenberg is on this list. You appeared against her one time, did you not?

Mrs. SHEARON. I surely did, and I gave what was said to be the best testimony, because I did not claim too much, but I proved what I did claim.

Senator ANDERSON. Did Congress take it very seriously?

Mrs. SHEARON. No, it is very unfortunate, because the FBI did, and the CIA.

Senator ANDERSON. They did?

Mrs. SHEARON. They did.

Senator ANDERSON. Did the FBI find anything about Anna Rosenberg?

Mrs. SHEARON. Do we have to get into that? The story about there being two Annas is not true, you know.

The CHAIRMAN. There were two Anna Rosenbergs.

Mrs. SHEARON. No. The FBI never said so.

The CHAIRMAN. I was chairman of the Armed Services Committee that investigated Anna Rosenberg, and there was another Anna Rosenberg that had the same name, supposed to be a Communist. The FBI appeared before the committee and found the other Anna Rosenberg in California, and completely cleared the Anna Rosenberg that was appointed as Under Secretary of Defense.

Senator ANDERSON. What you are trying to say, Dr. Shearon, is, you never surrendered on that front, did you?

Mrs. SHEARON. No.

The CHAIRMAN. I would like to ask this question, Mrs. Shearon.

I wish you would turn to this chart you have in the middle of the book.

Do I understand that you make accusations against Senator Claude Pepper, Senator James E. Murray, and Senator Robert F. Wagner as being guilty of subversion?

Mrs. SHEARON. I am not making charges; I am just presenting facts from the public documentation.

The CHAIRMAN. You refer to a net of subversion around the U.S. Government. Do you regard these three Senators—one is dead—as being Communists, or what?

Mrs. SHEARON. I would not say that about the late Senator Wagner or the former Senator Murray.

The CHAIRMAN. What does this chart mean?

Mrs. SHEARON. I was going to come to it in sequential order, but I shall be very glad to tell you about it.

Claude Pepper, you see, hired the espionage agent Charles Kramer, and his position—

The CHAIRMAN. What are you classifying him in? Why did you put him in the chart, the net of subversion around the U.S. Government?

Mrs. SHEARON. He was part of the net if he hired an espionage agent.

The CHAIRMAN. Do you accuse him of being a Communist?

Mrs. SHEARON. Senator Pepper?

The CHAIRMAN. Yes.

Mrs. SHEARON. Well, I do not know.

The CHAIRMAN. What do you mean by this chart here? You have his name in here in the net of subversion.

Mrs. SHEARON. Well, if you hired an espionage agent, would you not be, in some way, guilty?

The CHAIRMAN. Senator Murray—what did he do?

Mrs. SHEARON. I was going to give this in my sequence of testimony.

He went on July 4, 1944, to a rally of the Communist International Workers Order in Madison Square Garden and praised them to the skies for supporting the Wagner-Murray-Dingell bill.

The CHAIRMAN. I thought your charges were against Mr. Cohen, but you have a lot of other names in here.

Mrs. SHEARON. I am coming to that. You are breaking the sequence. I was trying to do it in sequential order, year by year.

The CHAIRMAN. You have not answered my first question. What charge do you make against these three U.S. Senators?

Mrs. SHEARON. I am not making any charges. I am stating facts from the documentation of the U.S. Government.

The CHAIRMAN. You make no charges against Mr. Cohen, either, is that it, because he is in the same class as the Senators?

Mrs. SHEARON. I do not think so.

The CHAIRMAN. Go ahead; proceed.

Senator ANDERSON. When you get to page 11, will you let me know?

Mrs. SHEARON. I was not even going by pages, because you do not give me time. This is one of the most important appointments you will ever have to consider, because it relates to a man who will control the destiny of the social security program for a long time to come, because once you get the provision into the law, you put a ratchet under it and never get rid of them. Therefore, you want to be awfully sure of the social philosophy of the man you appoint to this job. It is a very serious business and you have a great responsibility.

Senator ANDERSON. Now that Senator Kerr is not here, I thought we might speak very freely about him. I see on page 11 that there are two steps being taken in the direction of this socialized field. One of them is the Kerr-Mills Act, and the other is the Kennedy-Anderson-Cohen proposal.

Now, since I am in one group and Senator Kerr is in the other—

Mrs. SHEARON. Oh, here he is.

Senator ANDERSON. I had hoped we might get this done while he was away and we could speak freely about him.

Do you regard the Kerr-Mills bill as a step toward socialism?

Mrs. SHEARON. I would like to give just a little preliminary to that, that in July, July 9 through 12, 1943, there was a very secret meeting in Montreal.

Senator KERR. By Kerr or Mills?

Mrs. SHEARON. No; you were not there, but the triumvirate was. Altmeyer, Falk, and Cohen were there at the secret meeting.

The CHAIRMAN. If it was secret, how did you learn about it?

Mrs. SHEARON. I have the minutes of what was said.

The CHAIRMAN. At that meeting?

Mrs. SHEARON. Yes; and finally it was printed. It is now in the public record. It was printed by the Ways and Means Committee at the time Senator Curtis was conducting his investigation of social security; and those minutes are very illuminating, because the triumvirate from the Federal Government—Altmeyer, Falk, and Cohen—told about their plans. That is how you came to be mentioned in this, and not as a subversive at all.

Senator ANDERSON. It is just a matter of pride. If you are going to mention Senator Kerr, I want to be mentioned, too.

It is all right.

Mrs. SHEARON. You are both mentioned.

But the meeting was called for the purpose of developing an international social security charter. That is on page 11. I have long contended that this movement is an international conspiracy, rooted in communism and socialism, the ILO being socially controlled. The organizations that have sponsored legislation and fought for social insurance have been Communist dominated.

Now, when they went to Canada, it was to plan compulsory health insurance for the nations around the world. They had this secret meeting which lasted for 4 days. At the end of it, the chairman, the Honorable Ian Mackenzie, said:

The purpose of the ILO in calling this meeting at this time was to obtain from your deliberations the elements for the drafting of an "International charter of social security" to be submitted in due course to an international conference.

In other words, it was an international thing. It was so submitted in Philadelphia the next year, at the so-called Philadelphia conference. I am going into that, but I am not going into the technical side of social security at this time.

Senator ANDERSON. Now, you are coming close to this Kerr-Mills bill. Come right along with it, now.

Mrs. SHEARON. At that time, Mr. Falk, who was the Director of Research and Statistics, said that the plan as worked out in Russia, with the salaried medical service, tax supported, with no means test and no social security taxes, was the ideal toward which they should work. But being practical, they would have to take some measure that would be more acceptable to Congress and the American people, and so they would settle for the social insurance approach and the assistance approach. You would do part of the financing from general revenues—that is the assistance part—and part from the so-called social insurance. That is how you get into the picture and that is the only time you are mentioned.

Senator ANDERSON. I want Senator Kerr in the picture, too.

Senator KERR. Will the Senator yield?

Senator ANDERSON. Yes.

Senator KERR. I want you to understand that if this Kerr-Mills bill is the first step toward a very bad situation she is picturing, the next one is the one which I think the Senator from New Mexico has had some connection with.

Senator ANDERSON. I am in the second step.

Mrs. SHEARON. You can nationalize medicine through either one of two routes. You can go through public assistance and make it more and more available through the tax scheme or you can make it available through the social insurance route. You can do it both ways; you can combine them. But you can still nationalize medicine. This is the only time you are mentioned in the book, you and Senator Kerr.

I have already told you that—I am trying to give you a consecutive, chronological picture of what was happening in the forties and fifties in this social insurance field.

I do not have time to read my text, which I would prefer to do. Now, then, I have established that we had two nongovernmental lobbies, the Communist Physicians Forum and the Committee for the Nation's Health, which was infiltrated. The Committee for the Na-

tion's Health set up an office in the Senate Office Building under Senator Murray's name. One of the staff members, Margaret I. Stein, used an office next to the Western Union office in the Old Senate Office Building, and she distributed the propaganda in the caucus room of the Old Senate Office Building.

Now, mind you, this was setting up office space at the taxpayers' expense, public telephones, in an office in the Senate Office Building, for a lobby that was infiltrated by Communists.

I have given you out of context the relationship of the IWO and Max Bedacht. You will remember that shows at the bottom of the chart the relationship of the International Workers Order to the Communist Party. It was set up by the Communist Party and the Physicians Forum was also set up by the Communist Party. The International Workers Order was a blind to cover the military intelligence in the United States. And these are serious matters for this country.

At this same period of time we have a number of Communist fronts, and a number of the persons in the Federal Government belong to a very large number of these fronts.

Now, Mr. Cohen has said he did not belong to the Washington Committee for Aid to China or the Washington Book Shop, or the Washington Committee for Democratic Action, but the first set of photostats in your dossier will show you the membership of the Washington Committee for Aid to China. This is from the Un-American Activities report of 1944, in these various Communist front organizations. In this Aid for China Committee is Charles Bragman, who was a staff member of Senator Pepper's committee, working for the espionage agent Charles Kramer. They were working on the health programs of this country—legislation—holding hearings, and the staff director being the espionage agent.

Mr. Cohen's name is here. He said he did not belong. I do not know whether he has ever appeared before the House Un-American Activities Committee to have his name cleared, but I do not know that he ever did not.

Also in this same committee with Mr. Cohen was Mrs. Nathan Gregory Silvermaster, the wife of the espionage agent who headed up the Silvermaster group. I think these things are of great importance, and the American people do. I have been deluged with letters and telegrams from people who object to this kind of association. How Mr. Cohen can say that he was not a member when they have the documentation in the Un-American Activities files, I do not understand.

Now, then, in 1947, we had the next compulsory Wagner-Murray-Dingell bill. I was consultant to Senator Taft at that time, and I sat through 50 hearings on 2 successive Wagner-Murray-Dingell bills, and I furnished the questions used by Senator Donnell, who did most of the cross-examining in those 2 sets of hearings.

Just before the hearings started on S. 1820—that was the last of the comprehensive Wagner-Murray-Dingell bills. I might explain in passing, although this is not part of my printed facts and I do not wish to get in on the professional aspects of social security, but, of course, the reason why Mr. Cohen has dropped his approach and his approval of the Wagner-Murray-Dingell bill, the comprehensive bill, was that he realized, and I think all of us in that field realized, that you could

get through a comprehensive health insurance scheme in this country through the Congress or with the American people, either under the Democrats or under the Republicans. I sat through 25 hearings under the Democrats, when Senator Murray was presiding, and the next 25 hearings when the Republicans were in control and Senator Alexander Smith was presiding. At the end of both sets of hearings, the bill was killed in committee. It was obvious to anyone that they never could get through that kind of a bill out in the open, where you definitely said you were going to have compulsory health insurance for everybody in this country on a compulsory basis. It just did not go. Congress would not pass it and the American people would not swallow it.

What did they do but change the technique. The hearings on the bill ended in 1948. They started in late 1946, ran through 1947, and into 1948. After that, the piecemeal approach was adopted. It has worked admirably, to get a bite off here, a bite off there, a bite off someplace else. You get the medical assistance for the needy, you get a little bit here and you get a little bit there. Bit by bit you are building exactly what was in the Wagner-Murray-Dingell bill.

This present proposal for social security for the aged, it is a perfectly ridiculous bill. Anybody knows that you could not put through a small bill for hospital insurance and not pay anything for the doctors. When a person goes to the hospital, they certainly need a doctor; they need a surgeon. That is an awful lot of expense. I do not want to get into that, but I am just trying to explain to you that Mr. Cohen did not give you the whole answer why he dropped the compulsory health insurance approach. He took another approach.

Senator ANDERSON. Was disability in some way tied into this?

Mrs. SHEARON. Yes; it has disability. The next thing would be disability. This is a comprehensive scheme as laid down in the International Labor Organization way back. They had all this in 1920. Bismarck started the whole thing. It is antique stuff, there is no "New Frontier" about it. It is very old European stuff. They are doing it around the world. We all know it; anybody who is expert in this field knows it is an international theme.

Senator ANDERSON. Who sponsored this disability bill that was passed, do you recall?

Mrs. SHEARON. Gosh, No; I do not; I am sorry.

Senator ANDERSON. Do you recall any of the people who helped it along in the Senate of the United States, who fought for it on the floor?

Mrs. SHEARON. Yes; Lyndon Johnson fought for it like blazes and put it through.

Senator ANDERSON. Did he?

Mrs. SHEARON. Yes; he maneuvered it.

Senator ANDERSON. Well, he did not do it all alone.

Mrs. SHEARON. You bet he did not. It was a well-maneuvered thing; very well maneuvered..

Senator ANDERSON. Were those people doing that with him; were they tending toward socialism, do you think?

Mrs. SHEARON. Certainly, what else?

No, really, I do not think there is any doubt about it.

Senator KERR. Do you know, Doctor, what I think the Senator is trying to do? I think he is trying to start a row between you and me.

Senator ANDERSON. I am just trying to help Senator Kerr keep the liberal vote.

Mrs. SHEARON. Well, it is a very complex field. But talk about socialism—after all, when Bismarck's laws went through in the 1880's as early as the 1890's it was called a high-water mark of state socialism. It has not gotten any less of a high-water mark with the embellishments this Congress has put on with the comprehensive scheme which, after all, is a very small scheme.

Senator ANDERSON. I only asked that question because the two people who did the real leadership in this field and who brought a group of us together in the Secretary's office was Walter George, now dead, but a truly great man, from Georgia, and the Senator from the State of Oklahoma, now on the platform.

Mrs. SHEARON. If Senator Byrd had had a larger voice, he put up a grand fight on the Senate floor, but they do not have any of these loudspeakers here, and he could not drown out the voice of Senator George.

Senator ANDERSON. I am happy to know it, because I have always wondered how we won.

Mrs. SHEARON. Listen, everybody loved Senator George, or nearly everybody. He was retiring and he wanted this as sort of the last memento, this addition to the social security program. They call it an improvement, you know. It is no improvement, but that is what they called it. He wanted this to leave as the last thing, "Please give it to me," and he had a wonderful voice and a wonderful delivery.

He just beat you all hollow, Senator Byrd, on the voice question.

The CHAIRMAN. He beat me in every way, not only in voice.

Mrs. SHEARON. But give you a microphone and you are just as—you do just as well when you get yourself heard, because you have the right ideas. It was a shame the way that thing was lost, manipulated and maneuvered. I followed it very closely. I do not want to get into the professional side of this. I have a job to do that I have been asked to do by the patriotic groups of this country. It is costing me a great deal of money personally for my old age retirement, and I cannot afford to use up my retirement money. I shall probably go on living some more after this 70th year. I am trying to do a job to help you.

It does not help me. I am trying to help this Senate, and I am doing what you never had done before—I am bringing together in one short piece of testimony the work of 25 very serious years by a well-trained professional person, and I am bringing things to you from the Internal Security Committee which you do not have time to read. It runs into thousands of pages.

Senator ANDERSON. This book—do you intend by this to influence the actions of the Senate and of this committee to cast a more intelligent vote on Mr. Cohen?

Mrs. SHEARON. Yes, I am bringing out facts. I have brought them out a great deal in my paper, "Challenge to Socialism."

Senator ANDERSON. Is it also to help influence the Senate?

Mrs. SHEARON. No, you very seldom see me around the Senate.

Senator ANDERSON. I did not say you; I am talking about the publications.

Mrs. SHEARON. I am the publication. I am the sole owner. I have no help since my husband died last year.

SENATOR ANDERSON. This says:

Before the Senate Finance Committee on behalf of the Coalition of Patriotic Societies of Ohio, Inc.

Mrs. SHEARON. All they did was to send me a letter and ask me if I would please represent their point of view. That is all that means.

SENATOR ANDERSON. Did you pay for the publication of this pamphlet?

Mrs. SHEARON. Yes, sir.

SENATOR ANDERSON. Personally?

Mrs. SHEARON. Personally.

The CHAIRMAN. Look at the last page there.

SENATOR ANDERSON. I beg your pardon?

SENATOR KERR. He is just reminding the Senator from New Mexico that there was a hope on your part that you might be able to come out on it without too much loss.

Mrs. SHEARON. Senator Kerr, may I please explain?

SENATOR KERR. It is not necessary. If I had done what you had, if I had done the work you had and spent my own money as you have, I certainly think it would have been commendable that if I could have found a way to help get a little of my seed back, I personally do not criticize it the least bit.

Mrs. SHEARON. I would like to explain. This is going out as volume 15—you will see that on page 1, Nos. 7 to 12 of my paper, "Challenge to Socialism." I have been unable to publish, since I had agreed to do this in February. I had to take time off to write this. I am only one person; I have no professional help; I have no clerical help. I had to stop publishing my papers. I put this out for my subscribers, who are tremendously interested in this appointment, putting this out and sending it to them as the issues I did not publish.

Now, then, so far as your dossiers, they cost me \$30 apiece, and to hold that part, except for the publication of my paper, that part is out of my retirement capital.

I hope I have made it entirely plain. I am selling this. I have testified before and I always have it as a part of my publication, because I am writing on Federal legislation and I put a price on it.

Actually, I have never made any money at all on my publications.

SENATOR KERR. I know how that is. I have published a book, too.

Mrs. SHEARON. This is a pain in the neck; it is a headache. I am not as rich as you, Senator Kerr.

SENATOR KERR. I know, and I shall tell you, I found this out about it and I shall give you the benefit of my experience; maybe it will help you. It has not been too easy to sell, but I never saw anything in my life as easy to give away.

Mrs. SHEARON. Senator, I agree with you 100 percent. You should see how much I give away. It is the hardest thing to get money out of anybody. I mean for a conservative like me.

I am using up my precious time. I have not gotten to the meat of the testimony.

The CHAIRMAN. Doctor, I think you have gone about 10 minutes over your time.

Mrs. SHEARON. All right. I shall skip to the end.

The fact remains, I am not satisfied with Mr. Cohen's assertion that he was not a member of these fronts when the Un-American Activities Committee said he was. I think that is something he is going to have to demonstrate.

In view of the fact that through the years the people he has worked with and the groups upon which he has depended in forcing this through Congress—the Committee for the Nation's Health, labor unions, whether they were Communist or not, and I want to go into that—it is in my text. They called together—Cohen did—a group of 37 representatives of unions, and three of the unions were Communist-controlled and they were thrown out by the CIO. He does not care whether it is Communist-controlled or what it is, just so long as they will go along with the legislation.

He indoctrinated the union representatives at this meeting, this labor conference they held before the last Wagner-Murray-Dingell bill came through. His connections have been outrageous for a person—well for any person in this country, but for a person seeking high office. It is incredible. I might add that just before these compulsory health insurance hearings on S. 1320, Senator Murray hired for his staff William Gerard Reidy right out of the Committee for the Nation's Health staff. After the hearings were over, he went back to that staff and came back to Murray. Now, today, he is with the McNamara Select Committee on Aging, and the last time I looked around, he was in this room, still on the Federal payroll, right from the staff of this infiltrated Committee for the Nation's Health.

It would be a great and irreparable disservice to this Republic if the Senate Finance Committee should approve this appointment. The questions at issue in this case are subversion and moral turpitude. I have not discussed the moral turpitude. It is in my text. I say when a man knows the facts and he presents something different to the public, when he misrepresents the social security law, as he has through the years, he is guilty of moral turpitude. He knows perfectly well that it is not insurance. He knows the lawyers won the case before the Supreme Court by saying it is not insurance, that these benefits are gratuities. He knows it, and you know it too, Senator Byrd. All of the members of the committee know it is not insurance. You know what the legal brief before the Supreme Court was, too, and Wilbur Cohen knows it and he says this is insurance. He told this to the social workers, and to the nurses in the country, and they trusted them and he betrayed their confidence.

Through the positions he has held and the power he has wielded, he has, more than anyone else, thrust the United States into the world conspiracy, not only for the nationalization of medicine but for the establishment of a socialist form of government.

Patriotic and other organizations have asked me to present their plea to this committee that you disapprove this appointment of Prof. Wilbur J. Cohen to be Assistant Health, Education, and Welfare Secretary. Surely the American people have a right to expect that the Senate of the United States will protect them from a man like Professor Cohen. The appointee to this high and sensitive post should, like Caesar's wife, be above suspicion. Mr. Cohen is not above suspicion. He has spent the major portion of his professional life, more than a quarter of a century, in a twilight zone peopled by espionage agents,

Communists not in the underground and Communist frontiers. He has worked with and relied upon two lobbies organized for the purpose of foisting national compulsory health insurance on the entire population of this country, whether they wanted it or not. This is not a demand from the people, it is an engineered demand coming from Wilbur Cohen.

One of these lobbies was organized at the behest of the Communist Party; the other was organized by a group, two-thirds of the members of which had tie-ins with Communist fronts on a nationwide basis. These two lobbies for the nationalization of medicine had interlocking directorates.

I forgot to mention that the Committee for the Nation's Health and the Communist Physicians' Forum have a complete interlock in their higher officials, including the chairman of the Committee for the Nation's Health, who was chairman for the board of directors of the Physicians' Forum.

Communist control and influence in these lobbies should not be overlooked.

Professor Cohen cannot extricate himself from his past. He was one of a triumvirate of Federal officials who were determined to change our form of Government from a Republic to a Socialist, if not a Communist, state. His loyalty to our Government was in question for many, many years. He has given an explanation of it but only a partial one. He was repeatedly investigated by the Federal loyalty boards and by the FBI. He has not publicly repudiated the Communists with whom he worked and upon whose help he relied. Nor, I suspect has he helped the FBI to find out who these people are and to tell all that he knows about these various espionage people, like Charles Kramer.

He has not severed connections with a dubious past. Only this last summer in Michigan, he was on the same platform working with Michael M. Davis, who formed this Committee for the Nation's Health. He has not severed his connections.

Of course, some of the organizations have gone out of existence, so he could no longer be a member of them. Instead, he has subverted innocent and unsuspecting groups, like the social workers and the nurses who looked to him for professional guidance and help. He has courted the power of organized labor through their unions.

Some of the Senators with whom Mr. Cohen worked sought the support of outright Communist groups like the International Workers Order and the Physicians' Forum, Inc. Did Mr. Cohen ever break with those Senators, as I did? I worked with Senator Taft and I tried my best to help him in defeating the Socialist legislation. I was right there at the time with Pepper and Murray and Wagner.

Senator ANDERSON. Were you on Senator Taft's payroll?

Mrs. SHEARON. I was for the last 5 months. I was on part time. Before that, first I was on the Republican policy committee payroll. Then I was on the Labor Committee payroll, and then I said to Senator Taft that I wanted to start my paper. I was on his payroll for the last 6 months, part time.

Did Mr. Cohen ever break with those Senators? Did he ever denounce the International Workers Order, or the Physicians' Forum, or the Committee for the Nation's Health?

Patriotic Americans want no part of a man like Mr. Cohen. He has betrayed them. He has presented a false image of social security. He is motivated by an overwhelming yearning for power; power over our tax structure; power over the ways in which individuals may spend their money, lead their lives, determine their destinies. His lust for power has ruined him as a suitable candidate for any public office, in any university, in any position of trust. We all know that "power tends to corrupt; absolute power corrupts absolutely." And it is absolute power that Professor Cohen seeks.

I think that Senator Curtis made a very good case with the establishment of the wealthier state which Cohen has in mind.

He is not a man of integrity, of honesty, or incorruptibility. Will the members of this committee augment his power, give a rubberstamp approval, and forfeit the trust of the American people in the wisdom of your decisions? I urge you to consider his record in the documentation before you. Your decision should not be partisan, but rather one determined by your own wisdom and sound judgment of what is best for the American people.

I have given this documentation to you. I have gone to great expense and trouble to give it to you. I shall be available to explain it further to you, to any individual on the committee, or to the committee.

That is the end of my testimony.

(The complete testimony of Mrs. Shearon is as follows:)

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before this Committee on behalf of The Coalition of Patriotic Societies of Ohio, Inc., and on behalf of numerous other patriotic, civic, business, and professional groups as well as of individuals throughout the Nation to protest this appointment of Professor Wilbur J. Cohen as Assistant Secretary of Health, Education, and Welfare for Legislative Matters. I have some 300 to 400 letters and telegrams of protest and I should like to have them read into the record at the end of my testimony.

Although most of you have known me for some time, I shall qualify myself for the record. I came to Washington in December, 1935, as a research analyst in the Works Progress Administration under Harry Hopkins. At the request of Dr. Helen Jeter, I joined the staff of the Bureau of Research and Statistics in the Social Security Board in July 1936. That fall I was assigned to the Office of the General Counsel of the Board to write the economic brief for the defense of the Social Security Act before the Supreme Court. My brief was published on April 17, 1937, and was cited in its entirety in the legal brief used by Assistant Attorney General Robert H. Jackson in his defense. My brief was also cited by Associate Justice Cardozo when he read the

* This testimony constitutes Vol. XV, Nos. 7-12, of *Challenge to Socialism*.

majority opinion sustaining the validity of the Social Security Act, 7:2. It was said at the time that my brief enabled the Government to win its case on social and economic grounds since there were no legal precedents.

I transferred from the Social Security Board to the staff of Surgeon General Thomas Parran, M.D., on April 15, 1941, and resigned from Government service early in January 1945. Within 10 days the Senate Republican Policy Committee hired me as a Consultant on Social Security and compulsory health insurance to the late Senator Robert A. Taft. I so served for three years. On July 2, 1947, while working part-time on Senator Taft's own staff, I started to publish a weekly paper known today as *Challenge to Socialism*. I am sole owner of the Shearon Legislative Service and publisher of my paper. I have not received any fee for appearing here today. My presentation is completely non partisan, solely patriotic.

I should probably add that I received the degrees of A.B., A.M., and Ph.D. from Columbia University, the latter in 1916 after 5 years of post-graduate work. My majors were mathematics and scientific research in the biological sciences.

I am accompanied by Mrs. Richard D. Young, immediate past president of the Parents Educational Research Organization of Arlington, Va., whose tenets were commended by the DAR and nationally distributed. Mrs. Young is also a member of the Daughters of the Confederacy.

I realize that no Member of this Committee would be willing to oppose an appointment made by the President unless there were weighty reasons for such opposition. I believe you would consider the most cogent reasons to be: demonstrated subversion and moral turpitude. I shall therefore address myself to those two topics.

Net of Subversion Over Government and Labor

I have known Professor Cohen for nearly 25 years. It is my intention to summarize for you the history of this quarter century as it relates to the development of the Social Security program which is the statutory vehicle for the establishment of the Welfare State. It is my further intention to demonstrate, and to document, the fact that there has been for many years a carefully worked out plan to nationalize medicine in the United States and around the world. I shall further demonstrate that there is a national and an international conspiracy, rooted in Communism, to change our form of Government from a republic to a Socialist, if not a Communist, State. Professor Cohen has been deeply

involved in this conspiracy and for this reason large numbers of Constitution-loving Americans believe he should not be appointed to any high office in the Federal Government, especially one so sensitive as that of near-Cabinet rank in a Department dealing with the health, education, and welfare of the entire Nation.

I shall proceed to give certain disconnected facts. They are the pegs to which there has been fastened the net of subversion over the Government, including Capitol Hill, and over labor. After I have driven in the pegs I shall demonstrate the development of the net of subversion.

I shall at first present some isolated, and seemingly unrelated facts. For the first time in a public hearing I shall correlate, and document, facts which have been brought out in diverse Congressional committees which have dealt with Social Security and subversion. I bring you the result of over 25 years of study not only of the program, but of hearings and committee reports. I shall correlate the findings of the House Ways and Means Committee, the Senate Finance Committee, the Internal Security Subcommittee of the Senate Committee on the Judiciary, the applicable Appropriations Committees, and the House Un-American Activities Committee.

I shall start with the year 1919 when the International Labour Organization was created in Geneva as an agency of the League of Nations. The United States did not join the League and was not initially a member of the ILO. For 15 years that Organization was developed by the leading French Socialist of his day, Albert Thomas. In 1934 the United States joined the ILO at the instance of Frances Perkins, the Secretary of Labor. The ILO had developed a legislative program calling for establishment of social insurance systems throughout the world. These systems included compulsory health insurance. Emissaries from the ILO travelled extensively preaching the "Gospel of Geneva." It was based on Bismarck's social insurance laws of the 1880's which, as far back as 1896, had been described by Bertrand Russell as "the high-water mark of German State Socialism." (29, p. 107.)

In that same year of 1919, the Communist Party, USA, was formed in this country as a subsidiary of the Communist International. They, too, adopted a legislative program which included social insurance in all its forms. In 1936 they issued a booklet entitled "Program of the Communists' International," issued by Workers Library, Publishers, New York, in which on page 43, under the general subject "The Dictatorship of the Proletariat" appears this statement of Communist objectives:

"Social insurance in all forms, sickness, old age, accident, at State expense and at the expense of the owners of private

enterprises where they still exist, insurance affairs to be managed by the assured themselves."

In the year 1930 a fraternal insurance organization was formed by a group of Communists. It was known as the International Workers Order. By 1944 it had 176,000 members. It operated in 44 States at that time and had an income of over \$1 million annually. At its inception in 1930 it stated: "The International Workers Order realizes that the only party that leads the working class in its struggle against capitalism is the Communist Party which unites the best and proven militant members of the working class and which is bound to become ever stronger until the moment will come when the workers under its leadership will overthrow the capitalist system and establish Soviets." (2, pp. 11, 12.)

In 1932 the IWO, in urging its members to vote Communist, stated that: "The only effective solution [to problems of insecurity in old age, disability, unemployment, etc.] is an extensive system of social insurance. . . . It is this struggle for social insurance that fixes the interest of the International Workers Order at this moment on the current election campaign." (18, pp. 5 and 6.)

The General Secretary of the IWO was German-born **Max Bedacht**, an original member of the Communist Party, U.S.A. He preceded **Earl Browder** as executive secretary of the Party and in 1934 was the Communist candidate for U.S. Senator from New York. **Whittaker Chambers** notes: ". . . that quiet little man had been for years a permanent link between the Central Committee of the American Communist Party and the Soviet Military Intelligence in the United States." (4, p. 271.)

During the early thirties at least three underground apparatuses were set up in Washington by the Communist Party for the purpose of penetrating the Federal Government. The three have been described in detail by **Chambers** and in the publications of the Internal Security Subcommittee of the Senate Committee on the Judiciary and of the House Un-American Activities Committee. (4, pp. 336-352; 15, pp. 5-7; 17, pp. 1-6.)

The first cell set up in the Government was in 1933 when **Harold (Hal) Ware** established an espionage group in the Department of Agriculture. There were 9 members, including:

Harold Ware, **John J. Abt**, **Nathan Witt**, **Lee Pressman**, **Alger Hiss**, **Donald Hiss**, **Henry H. Collins**, **Charles Kramer (Krevitsky)**, and **Victor Perlo**.

There were two other espionage groups, one headed by **Nathan Gregory Silvermaster** and known as the **Silvermaster Group**, the other headed by **Victor Perlo** and known as the **Perlo Group**.

The members of these three groups were scattered through the Government. Many had their first jobs in the Agriculture Department from which they deployed into other agencies and finally into the staffs of Congressional committees. One member of the Silvermaster Group was in the Social Security Board. Charles Kramer belonged to both the Perlo and Ware-Abt-Witt Groups.

I shall direct your attention first to **Charles Kramer**. He was a physicist who joined the staff of the Agricultural Adjustment Administration in 1933. He moved through jobs in the National Youth Administration (1935), on the staff of Senator LaFollette's Subcommittee of the Senate on Civil Liberties (1936-37), United Mine Workers (1937), on the staff of the National Labor Relations Board (1938-1942), with Office of Price Administration (1942-43), with the Democratic National Committee (1944), and wound up with Senator Pepper's Subcommittee on Health and Education of the Senate Committee on Education and Labor (1945-46).

Kramer was staff director for Senate Pepper's Subcommittee and had as his assistant a man named **Charles Bragman**, a former employee of the Railroad Retirement Board and a member of three Communist fronts: Washington Committee for Democratic Action; American League for Peace and Democracy; and the Washington Committee to Aid China. (18, p. 1685.) Bragman certainly knew little or nothing about social insurance and during the hearings on S. 1320 in 1947-48 he was of little professional assistance to Senator Pepper. He appeared to me to be a peculiarly stupid individual and I wondered why Senator Pepper employed him.

Now let us turn our attention to another member of the first Communist cell in the Government, **Lee Pressman**, who was Assistant General Counsel of the Agricultural Adjustment Administration in 1933. He became General Counsel of the Works Progress Administration in 1935, leaving there just as I came in at the end of 1935. He then became General Counsel of CIO from 1936-1948. (4, pp. 344-347; 10, p. 227; 13, pp. 2844-2901.) While Mr. Pressman was working for the CIO he was asked by John L. Lewis to be the General Counsel for the Steelworkers Organizing Committee. Assisting him in that work was **Van A. Bittner**, a member of the International Workers Order and Regional Director of the Steelworkers Organizing Committee. (13, p. 2860.)

Now, finally, let us consider **John J. Abt**, who helped to organize the Ware-Abt-Witt espionage ring. He, too, entered the field of subversion in Government through the AAA in 1933 where he was an attorney. He became Assistant General Counsel of the WPA in 1935, a special counsel of the Securities and Ex-

change Commission in 1936, and, that same year, moved over to Senator LaFollette's Subcommittee on Civil Liberties of which he was chief counsel. In 1937 he became Special Assistant to the Attorney General of the United States in charge of the Trial Section. (4, p. 344; 15, p. 6; 17, pp. 5, 32-34.) In 1938 Mr. Abt resigned from the Government service to become special counsel to the Amalgamated Clothing Workers of America, a position he held until January 1948 when he resigned to become general counsel of the Progressive Party. (13, p. 2952.)

Non-Governmental Lobbies to Nationalize Medicine

In 1939, at the instance of the Communist Party, Ernst P. Boas, M.D., organized a small lobby known as **The Physicians Forum, Inc.** Boas himself had a long record of membership in subversive organizations. In 1952, Dr. Bella V. Dodd, attorney and formerly a member of the National Committee of the Communist Party (1944-1948), testified before the Senate Internal Security Subcommittee that "The Physicians Forum was established primarily by the Communist Party . . . the initiative for organizing the Physicians Forum came from the Communist Party, came from the ninth floor, where the national committee of the Communist Party existed." (35, pp. 37-38.)

The Forum had, and still has, members throughout the country, but drew, and still draws, most of its strength from New York City. There was a chapter here in Washington to which Milton I. Roemer, M.D., of the Public Health Service, belonged. The Tenney Un-American Activities Committee of California adjudged the Forum subversive many years ago. This lobby advocates national compulsory health insurance for the entire population with abolition of the fee-for-service method of paying physicians and use of the capitation method. In recent years the Forum has endeavored to persuade physicians to seek coverage under the OASDI program.

I have the minutes of a membership meeting of The Physicians Forum held in New York City, Nov. 15, 1945. (You will find the copy in your dossier.) Dr. Boas reported that the Forum had printed 50,000 copies of a pamphlet "For the People's Health." It was the propaganda document which favored the comprehensive W-M-D bill, S. 1050 of 1945. Dr. Boas noted that the pamphlet had been sent to "social work agencies, nurses' associations, political action committees, trade unions, women's clubs, schools and universities and to key individuals throughout the country. . . ." The CIO purchased 5,000 copies of the pamphlet and the AFL took 10,000 copies.

Conferences were arranged by the Forum with representatives of such national organizations as the American Association of Social Workers which went on record as actively supporting the W-M-D bill.

Dr. Boas reported that various members of the Forum were writing articles for the official magazine of the AFL, the *Federationist*. A Forum member had already written an article for the *Compass*, official publication of the American Association of Social Workers, and another member had written an article for the *Intercollegian*, official publication of the National Intercollegiate Christian Council. Dr. Boas himself had written an article for the December 1945 issue of *Fraternal Outlook*, official publication of the Communist International Workers Order, the General Secretary of which, we have seen, headed the Soviet Military Intelligence in the United States.

On December 4, 1945, two weeks after President Truman had sent his health message to Congress and Senator Wagner had introduced S. 1606, there appeared in the Nation's press large advertisements in support of President Truman's Health Plan. (Photostats are in your dossiers.) The ad was sponsored and paid for by 192 persons. These included a cross section of our economy: bankers, lawyers, writers, radio commentators, actors, economists, professors, scientists, playwrights, and a small number of physicians, such as **Ernst P. Boas**, founder of the Communist Physicians Forum, **John P. Peters** of Yale, and **Allan M. Butler**, a member of the Forum and currently its president. Of the original 192 sponsors, 166 incorporated on February 23, 1946, as the Committee for the Nation's Health, with Channing Frothingham, M.D., as the figurehead Chairman, and **Michael M. Davis** as Chairman of the Executive Committee. (CNH letterhead of 1946 and officers of CNH in selected years are part of my documentation in the dossiers.)

Now if you will look at the letterhead of The Physicians Forum, Inc., dated August 27, 1945, you will note the interlocking directorate between the Forum and the Committee for the Nation's Health, right from the inception of the latter organization. Dr. Frothingham, Chairman of CNH was on the Executive Committee of the Communist Physicians Forum. Although this letterhead does not show the rank and file Forum members, it is to be noted that Doctors **Allan M. Butler**, **Miles Atkinson**, and **Ernest P. Boas** were members of both organizations. That is, there was a strong interlock between the two non-governmental lobbies for the nationalization of medicine.

Of the 166 charter members of the CNH, 92 had citations for subversive activities or connections. Included among the charter

members was Agnes Smedley who left her ashes to the Red Regime in China to be buried in Peiping. She was active in the Far East in espionage work. There was Carol Weiss King who served as general counsel for the Communist Party and handled the cases of deportees. She defended Gerhart Eisler and helped him to escape from the United States when he was about to be arrested. There was **Roger N. Baldwin**, a director of the American Civil Liberties Union. He had dozens of subversive citations dating back to World War I. After he had been out of Harvard for 25 years he wrote a statement for the Harvard Yearbook blasting our capitalist system and ending up: "Communism is the way." Another charter member was **Mrs. Mary Dublin Keyserling** (Mrs. Leon Keyserling) whose Communist-front record was so disgraceful she finally had to resign from the Government. Also among the members were **Robert W. Kenny**, **Leo Linder**, **Martin Popper**, and **Abe Fortas**, an attorney. He was a member of the national committee of the Communist-controlled **International Juridical Association**. On that committee with Fortas were 5 Communists including the espionage agents **Nathan Witt** and **Lee Pressman**. (20, 796.)

I have often wondered how one man, like Michael M. Davis, who organized the Committee for the Nation's Health, could possibly have known so many persons, in so many fields, with so many subversive citations. I have never been able to see any common denominator among these people except that many of them favored a Socialist or more probably, a Communist State.

Mr. Isidore Sydney Falk, Chief of the Division of Health Studies in the Bureau of Research and Statistics, Social Security Board, appointed the lobbyist, Michael M. Davis, to be Principal Consultant in Medical Economics in that Division on January 28, 1938.

The Committee for the Nation's Health was for some time supported largely by contributions from labor unions. Thus in 1951 the following were among the larger donations:

AFL	\$10,000
United Steelworkers of America	5,000
United Automobile, Aircraft and Agricultural Implement Workers of America CIO	5,000
International Ladies' Garment Workers' Union	2,500
Textile Workers Union of America	750
United Auto Workers	500
Amalgamated Clothing Workers of America	500

These gifts, be it remembered, were to a lobby controlled by Communist sympathizers. In that same year Senator **James E.**

Murray of Montana gave \$10,000 to CNH. (From lobbying reports filed with the Clerk of the House of Representatives.)

There existed the closest kind of cooperation between high officials in the Social Security Board and the two non-governmental lobbies I have just described. They worked as one to bring about the nationalization of medicine and to disparage the medical profession and voluntary insurance efforts. Through these lobbies the Federal officials—Commissioner Altmeyer, his Technical Adviser, **Wilbur J. Cohen**, and the Director of Research and Statistics, **I. S. Falk**, were able to dip into the well of Communist support for compulsory health insurance. And, I might add, the Bureau of Research and Statistics in the Board distributed CNH pamphlets as well as those of the Communist Physicians Forum, Inc.

During 1943 and 1944, Michael M. Davis, utilizing a small group of 13 persons which he called the **Committee on Research in Medical Economics**, developed a pamphlet which was published in November, 1944, under the name: "Principles of a Nation-Wide Health Program, Report of the Health Program Conference." (26) There were 29 sponsors of this Report which, on the surface, appeared to be the work of a non-governmental research group. Actually, 6 of the 29 were Federal employees, two were the men who had organized the two lobbies to nationalize medicine, and 4 were members of the National Citizens Political Action Committee.

MEMBERS OF THE HEALTH PROGRAM CONFERENCE

- | | |
|---|--|
| Will W. Alexander, Chicago (NCPAC) | loan to Government) |
| E. W. Bakke, New Haven | Basil C. MacLean, M.D., Rochester, N.Y. |
| Solomon F. Bloom, New York | Gerald Morgan, Hyde Park, N.Y. |
| Ernst Boas, M.D., Chairman, Physicians Forum, Inc., NCPAC | *Frederick D. Mott, M.D., PHS, on loan to Farm Security, later set up Socialist health program in Saskatchewan |
| J. Douglas Brown, Princeton, N.J. | *George St. J. Perrott, PHS |
| Allan M. Butler, M.D., Boston, member of Physicians Forum | John P. Peters, M.D., Yale |
| Hugh Cabot, M.D., Boston | *Kenneth E. Pohlmann, Farm Security |
| *Dean A. Clark, M.D., PHS | Kingsley Roberts, M.D., N.Y. |
| Michael M. Davis, New York, organizer of Committee for Nation's Health, NCPAC | *Barkev S. Sanders, Armenian statistician on staff of I. S. Falk, Social Security |
| *I. S. Falk, Director, Bureau of Research and Statistics, Social Security Board | Gertrude Sturges, M.D., American Public Welfare Association |
| Nathaniel W. Faxon, M.D., Boston | Florence C. Thorne, AFL |
| Channing Frothingham, M.D., later Chairman, Committee for Nation's Health | J. Raymond Walsh, NCPAC |
| Franz Goldman, M.D., New Haven, German refugee, never practiced medicine | C. - E. A. Winslow, Yale, former professor of I. S. Falk |
| Herman A. Gray, N.Y. | Edwin E. Witte, Madison, Wisc., former staff director, Roosevelt's Committee on Economic Security |
| Alan Gregg, M.D., N.Y. | |
| William Haber, Ann Arbor, Mich. (on | |

* Federal employee.

The interlock between the lobbies—with their Communist support—and the Government is shown by inclusion among the

29 sponsors of the following persons: Isidore Sydney Falk, Social Security Board, Ernst P. Boas, M.D., head of the Physicians Forum, Inc., and Michael M. Davis, organizer in 1945 of the group that incorporated in 1946 as the Committee for the Nation's Health. In addition there were two Public Health physicians, Dean A. Clark, long an advocate of compulsory health insurance, and Frederick A. Mott, who, during the war was on loan to the Farm Security Administration. He later went to Saskatchewan where he set up a Socialist program that caused no end of trouble. Among the 29 were Kenneth Pohlmann of Farm Security, now with the United Mine Workers, and Edwin E. Witte, Staff Director for Roosevelt's Committee on Economic Security, and Mr. Cohen's chief in 1934. Also in the group was George St. John Perrott of the Public Health Service, of whom more later.

On November 19, 1945, when Senator Wagner introduced S. 1606, he cited this "Principles" as being in support of his bill. (*Cong. Record*, Nov. 19, 1945, p. 1096.) He failed to state who the 29 sponsors were and that they included six Federal employees who had a vested interest in any Federal medical care program that might be developed.

What did these Federal officials say about provision of medical care? I quote: "We agree with the recent statement of the International Labour Office that medical care should be 'provided without qualifying conditions as to payment of contributions or taxes and without means test.' " (26, p. 13) In a word, these officials, including Mr. Falk, who was Mr. Cohen's chief, favored a medical care program financed from general revenues as in Russia. However, being practical men, they saw the difficulties of selling that idea to Congress and to the American people. So they proposed to use the "contributory principle," that is, the social insurance mechanism, and to make the scheme compulsory—"required by law" was their euphemism.

The International Charter of Social Security

I have long contended that Messrs. Altmeyer, Falk, and Cohen, working as a triumvirate through power-politics, were engaged in an international conspiracy to nationalize medicine around the world and to aid in the establishment of Socialist regimes, if not, indeed, of regimes more subversive in character.

In the "Principles of a Nation-Wide Health Program," which I have just described, reference is made to a recent pronouncement by the ILO. Let us look at that in more detail.

In July, 1943 there was a secret meeting of the Socialist-dominated ILO in Montreal. It was attended by Messrs. Altmeyer,

Falk, and Cohen, as well as by **George St. John Perrott**, PHS, a satellite of the Triumvirate from Social Security. Also present were **Sir William Beveridge** — of “cradle-to-grave” fame (13) —, representatives from the Canadian Department of Labor and the Department of Pensions and National Health, the Canadian Chief Actuary, and representatives from Peru, Cuba, Mexico, Brazil, and Ecuador.

The Chairman of that meeting, the **Honorable Ian A. MacKenzie** of Canada, in his closing remarks said (1, pp. 1307-1310):

“The purpose of the I.L.O. in calling this meeting at this time was to obtain from your deliberations the elements for the drafting of an ‘International Charter of Social Security’ to be submitted in due course to an International Conference . . .”

During the ILO deliberations, which lasted four days, Mr. Falk took exception to the ILO proposal that medical care systems throughout the world should be wholly tax-supported, as in Russia. The ILO desired to have such schemes for entire populations —including the United States. Mr. Falk suggested that such a tax-supported scheme, and I quote: **“would be only an ideal towards which they might work for a long time,”** but that for the immediate present they would be well advised to sponsor social insurance and social assistance medicine.

He warned that **“It would be very much easier to defeat the plan if they asked for an ideal plan than if they asked for a practical programme.”** (1, p. 1296.) That is, Mr. Falk recommended going along with such proposals as the Kerr Mills Act and the Kennedy-Anderson-Cohen proposals until such time as they could reach the ultimate goal of a tax-supported, completely socialized medical care scheme such as exists in Russia.

That was, and still is, the thinking of the leaders in this field. The Fabian approach, by “gradualism,” to a complete system of tax-supported medical care with salaried physicians and government-controlled hospitals and health centers. This is the goal, but such practical men as Altmeyer, Falk, and Cohen are willing to work through the social insurance mechanism for the time being.

A year after the ILO meeting in Montreal, that is, on July 4, 1944, **Senator James E. Murray**, then Chairman of the Committee on Labor and Public Welfare, attended the Sixth National Convention of the Communist International Workers Order.

Speaking at that Independence Day Rally of the Jewish American Section of the IWO, held in Madison Square Garden, Senator Murray “paid tribute to the I.W.O. as a fraternal benefit society contributing not only to the care of the sick, the unemployed, the widow and the orphan, but to the national unity of the United

States. The I.W.O., he said, was one of the very first to give unqualified support to a broadening social security program." (20, p. 910.)

At that same IWO rally a message was read from Senator Robert F. Wagner. He addressed his letter to **Max Bedacht**, then President of the IWO, and, as we have seen, "the permanent link between the Central Committee of the American Communist Party and Soviet Military Intelligence in the United States." (4, p. 271.)

Senator Wagner said:

"I have received many postal cards and resolutions from the membership of the International Workers Order endorsing the Wagner-Murray-Dingell Bill, S. 1161 . . . I wish to express my appreciation for the support of this bill . . ."

"He told the convention that its campaign to 'focus public attention' on the social security measure, was an 'important way to victory for the forces of democracy and freedom.'" (20, 910.)

All through 1944, 1945, and 1946, the propaganda machinery was operating overtime. Michael M. Davis had already set up his 13-man Committee on Research in Medical Economics in 1937, using part of a gift of \$165,000 which he had received from the Rosenwald Fund when he left there in 1936. (23, pp. 1620-1628.) In the fall of 1944, as we have already seen, he published his "Principles of a Nation-Wide Health Program," which became the primary propaganda pamphlet for the 1945 Wagner-Murray-Dingell bill, S. 1606.

Late that same year, in October 1944, the platform of the American Public Health Association was shrewdly manipulated so that this national association of public health officers was made to appear to be in favor of national compulsory health insurance. The manipulating was done by Mr. Falk, Michael M. Davis, the late Joseph W. Mountin, M. D., of the Public Health Service, and a number of other employees of the Federal Security Agency. The whole deal was contemptible and was written up in 1945 by W. G. Smilie, M. D., in the *American Journal of Public Health* (30, pp. 27-28). At the time of the manipulation the late Dr. Joseph W. Mountin, Chairman of the APHA Medical Care Subcommittee, said to me, with respect to the manipulated statement on "Medical Care in a National Health Program," "we rammed it down their throats," that is, the throats of the APHA membership.

Federal Propaganda for the Welfare State

The year 1946 was a busy one in the propaganda field. On April 2 hearings started on S. 1606 before the full Senate Committee on

Education and Labor. Senator Murray presided. A representative of the Committee for the Nation's Health, Inc., lobby, Miss Margaret I. Stein, handed out propaganda to the press in the Caucus room of the Old Senate Office Building. She had an office and telephone, in the name of Senator Murray, right here in the Capitol in a room next the Western Union office. Mind you, a representative of a lobby like the CNH, with nearly 100 Communist fronters in its membership, operating from the Old Senate Office Building! With official blessing!

Just before the opening of the hearings, Senator Murray wrote to Arthur J. Altmeyer, then Chairman of the Social Security Board, stating that since hearings on S. 1606 were due to start on April 2, he would appreciate having "access to the studies on prepaid medical care which had been made in the Social Security Board, particularly in the Bureau of Research and Statistics" where, I might add, Mr. Cohen was Assistant Director and the liaison man with Congressional committees working on Social Security legislation.

At this point, I might say that I am sure every one of the Members of this Committee would agree on the professional competence of Professor Cohen. He probably is more conversant with the Social Security Act, its history, its provisions, its costs, its administration than any other person in the country. He has drafted, or aided in the drafting, of every significant Social Security bill that has come to hearings in the Congress since 1935. He has, either by himself or through his subordinates, aided in formulating the language of Committee reports, Advisory Council reports, Messages from Presidents to the Congress, etc. I doubt if there is another person in the United States who has been so intimately connected with Federal Social Security legislation since 1934 as Professor Cohen, especially with respect to aid to Congressional Committees and to individual Members of Congress.

Returning now to 1946, we note that on April 26, shortly after hearings had started on S. 1506, Mr. Altmeyer sent to Senator Murray a document prepared by Isidore S. Falk and "the Bureau staff" which included Mr. Cohen, the liaison official with Congress. The report was entitled "Medical Care Insurance." (8)

This volume of 185 pages, which appeared as a Committee Print on July 8, 1946, presents the blueprint for nationalization of medicine in the United States. It goes into great detail regarding administration, taxation, costs, methods of paying physicians, dentists, nurses, and hospitals, as well as methods of paying for drugs, laboratory services, etc.

Now the public and Members of Congress have been told

over and over by Social Security officials that there would be virtually no change in the practice of medicine, no control of physicians and other health personnel, no regulation of hospitals. About the only difference, we have been told, is that under social insurance, the worker pays so-called "insurance premiums" for a so-called "health insurance policy" for himself and family and then, when illness strikes, the Government pays the bills from a health insurance trust fund. It sounds perfectly wonderful! Just like Blue Cross and Blue Shield — only infinitely better and O, so much cheaper! I call your attention to these bland, but false assertions, made by Professor Cohen in his *Task Force Report on Health and Social Security* issued in January 1961, (5).

But the Social Security officials, past and present, including the man whose appointment you are considering today, know perfectly well that they are not telling the truth and have not been telling the truth back through the years. They know — and every Member of this Committee knows — that when the Federal Government establishes a Nation-wide program (or any smaller program) and foots the bills, *the Government calls the tunes!* The situation was neatly summed up by Lord Moran in the House of Lords, last April. Formerly a protagonist for the British National Health Service, he said: "Where Medicine is concerned the Government are a monopoly employer—they control demand, supply and the pay of the doctors." (9, p. 24.)

Our own Supreme Court has voiced the same position of Government in a decision handed down in 1942 by the late Associate Justice Robert H. Jackson—the same man who pleaded the Government's case for the Social Security Act before that Court in 1937. He said, in connection with the Agricultural Adjustment Administration case: "It is hardly lack of due process for the Government to regulate that which it subsidizes."

Anyone who has done any studying at all of compulsory health insurance knows that it is *the administration of the program that kills*. It kills the incentive of the physician and it often kills the patient.

Falk, in his "Medical Care Insurance" volume, repeatedly decries the present fee-for-service method of payment for physicians. He lauds the capitation method used in Great Britain and regards it as a stepping-stone toward the ideal, which he mentioned in Montreal three years earlier, namely, the salaried service found in the Soviet Union. The capitation system calls for a fixed payment of \$5 to \$10 per year per person on a physician's list. Both of the non-governmental lobbies, as well as Social Security officials, have favored the capitation system.

This is not the time to enter into a discussion of the pros and

cons of compulsory health insurance. I merely wish to point out that Federal officials, consistently breaking the Federal lobbying law (Title 18, Section 201, U.S. Code, 30, p. 43), united with non-governmental lobbyists to spread totally false information about the manner in which the Federal scheme of social insurance medicine would be administered. They are the more culpable—and that includes Professor Cohen—because they are well informed. They knew about the operation of systems abroad. They knew of the magnitude of administrative controls that are necessary in every system of compulsory health insurance around the world. They knew that patients, physicians, and hospitals are regulated in an unbearable fashion. They knew that there is no real freedom of choice for patient or physician once the Government foots the bills. Mr. Cohen in particular has traveled the country over misrepresenting the Forand bills and similar proposals. He has wilfully misled the nurses and social workers with a battery of propoganda that has been going on for years.

On December 10 and 11, 1946, Messrs. Falk and Cohen met with a group of 37 union representatives. Mr. Altmeyer was to have made the opening address, but was unable to attend. His place was taken by Mr. Falk. Three of the unions represented at the meeting held at the Social Security Board were Communist dominated and were later expelled by the CIO (34, p. 54). They were: International Longshoremen's and Warehousemen's Union, CIO; United Office Professional Workers of America, CIO; and National Maritime Union, CIO. (34, pp. 118, 121, 125 and 133.)

In addition, four of the unions whose representatives were invited by the Triumvirate (Altmeyer, Falk, and Cohen) were active and substantial supporters of the Committee for the Nation's Health, Inc., lobby. These four were: Amalgamated Clothing Workers, CIO; International Association of Machinists, independent; International Ladies' Garment Workers' Union, AFL; and United Automobile Workers, CIO.

We have already seen that the espionage agent **John J. Abt** was the general counsel of the Amalgamated Clothing Workers of America. Abt resigned from his job with the Department of Justice to take the job with the Clothing Workers. He served as general counsel from 1938-1948 when he left to become general counsel of the Progressive Party which was supported by the Communist Party. (13, p. 2952.) **Jacob Potofsky**, president of the Amalgamated Clothing Workers, was a member of the Board of Directors of the Committee for the Nation's Health, Inc., which received financial support from the Clothing Workers union. (See table, page 31, for CNH Officers, 1952.)

Mr. Falk, after some introductory remarks, turned the

meeting over to Mr. Cohen who gave a rather extended talk to the union representatives. He made a special point of the fact that "Perhaps in the long run the more significant developments are in other than legislative fields. As you know," he said, "in November 1945 there was a Presidential message on a national health program. This was the first time in the history of the country that any president has sent up to Congress a comprehensive set of recommendations for a national health program, (23, p. 1982.)

Elsewhere Professor Cohen has admitted that he and Mr. Falk went to the White House to help in the drafting of President Truman's message and recommendations and that they worked over 5 or 6 drafts. (23, pp. 1984-87.) They apparently were the only experts on compulsory health insurance who advised President Truman. The draft of that message was prepared by Judge Samuel I. Rosenman, Special Counsel to President Truman, and a director of Michael M. Davis' lobby, The Committee for the Nation's Health, Inc. Thus, the chief lobby to nationalize medicine through the Social Security System had its representative in the White House where he could draft a health message for the President to send to Congress. At the Labor Conference in December 1946 Professor Cohen gloated over the success of their schemes. And Commissioner Altmeyer admitted that Mr. Falk and staff, including Mr. Cohen, wrote the major part of S.1606. (22, p. 191.)

This Labor Conference lasted for two days. Mr. Cohen extolled the Wagner-Murray-Dingell approach and belittled the Taft grant-in-aid approach. His idea was to force everyone into a compulsory system of Federally controlled, operated, and financed medical care. He saw to it that the representatives of the more important unions were thoroughly indoctrinated before the opening of the Second Session of the 79th Congress.

The Net of Subversion Over Capitol Hill

I shall now bring together some of the seemingly isolated operations and activities to which I have previously referred. I have pointed out that there were three espionage groups which originated in the Department of Agriculture in 1933. The members of those groups moved from one Government agency to another. During the 1930's they penetrated the Social Security Board, the Labor Department, Treasury, National Labor Relations Board, Railroad Retirement Board, State Department, War Department, etc. The agency penetration is shown in the photo-

stat on Communist Espionage in the United States Government, August 28, 1948.

During this same period of the 1930's and early 1940's employees in the Federal Departments joined Communist fronts by the hundred. While the estimate of espionage agents working in the Government on behalf of the Soviet Union is only about 75, the number of Communists and fellow travelers in the Government was very much larger. Thus we see the espionage agents like Kramer, Silvermaster, Lee Pressman, etc., coming into the Government with the help of a dedicated Communist like Harold Ware. Simultaneously we see Federal employees joining Communist fronts where they were brought into direct contact with known Communists and fellow travelers.

In the field of social insurance and especially of compulsory health insurance Communist activity dates back into the 20's. The International Workers Order, we have seen, was organized in 1930 for the express purpose of pushing for social insurance legislation. It also had the unavowed purpose of serving as a link between the Central Committee of the American Communist Party and the Soviet Military Intelligence in the United States.

If you will turn to the photostat on "Health Insurance", dated July 1946, and look at the back of the cover where the members of Senator Pepper's Subcommittee are listed, you will see that **Charles Kramer**, a member of two espionage groups, was the staff director, and **Charles Bragman** was his assistant.

It is an interesting fact that when Mr. Kramer applied to Senator Pepper for a job on December 30, 1944, and filled out a Civil Service form, one of the character references he gave was **Thomas C. Blaisdell**, Assistant Director of the Social Security Board, Bureau of Research and Statistics in 1937 and 1938 at the time I was there. I had only one encounter with Mr. Blaisdell and that was when, in a hush-hush meeting, he asked me to do something unprofessional and dishonest. I went to Ewan Clague, at that time Associate Director of the Bureau, and said I would resign before I would have any part of such a rotten deal. It was then that I was loaned to the Office of the General Counsel to write the economic brief for defense of the Social Security Act and to remove me at least temporarily from the Bureau of Research and Statistics.

So, Kramer, the espionage agent, gave Blaisdell as his character reference. (16, p. 367; 30, pp. 18, 19.). Then Kramer hired Bragman. The technique which was constantly employed to spread subversion in the Government was for one Communist to get into an agency or a Congressional Committee and then to hire others.

Now if you will turn to the first photostat series of six pages in your dossier, you will see the membership of the Washington Committee for Aid to China (20). The organization was affiliated with the larger and more powerful China Aid Council which was active in espionage in the Far East. If you will look at the top of page 1685 you will see **Charles Bragman** listed. He was also a member of the Washington Committee for Democratic Action and the American League for Peace and Democracy. Now if you will turn to page 1687 you will see the name of **Mrs. Nathan Gregory Silvermaster**. She was the wife of the head of the Silvermaster espionage group. She belonged to the Washington Bookshop, the Washington Committee to Aid China, and the Washington Committee for Democratic Action. One of the members of the Silvermaster apparatus worked in the Social Security Board.

On that same page you will note **Morton Stavis**. His name when I met him in the office of the General Counsel of the Social Security Board was **Stavisky**. He was a member of several fronts and I mention him only because he was in the Social Security Board. There were a couple of other Social Security employees who were members of the Washington Committee to Aid China and other fronts.

Now, turn back to page 1685 and you will find the name of the man whose appointment you are considering today. **Mr. Cohen** was a member of the same three organizations to which **Mrs. Silvermaster**, the wife of the head of an underground apparatus, belonged. And **Charles Bragman**, assistant to **Kramer**, a member of two underground groups, also belonged to two of the Communist fronts to which **Mr. Cohen** belonged.

The Washington Bookshop had been formed to make available the works of Lenin, Stalin, and other Communists and to give members a discount.

I have ten pages of additional documentation on the China Aid Council, but I have not put those ten pages in each dossier because of the cost. The main thing that comes out is that there was an interlock between various Communist fronts working under the direction of **Earl Browder**, general secretary of the Communist Party, in connection with espionage work in the Far East.

The membership of these three Communist fronts to which **Professor Cohen** belonged comprised mostly employees from the Social Security Board, the Labor Department, Agriculture, and the Railroad Retirement Board. These were departments and agencies with which **Mr. Cohen** worked closely through the years.

I would call to your attention the fact that the interlocking

of the membership of these three Communist fronts to which Mr. Cohen belonged was brought out at hearings on August 7, 1941. (See 20, p. 1684 of the photostats of the Washington Committee for Aid to China.)

I should like to illustrate how things were manipulated in the health field. In March 1946 the Pepper Subcommittee on Health and Education of the Senate Committee on Education and Labor, headed by Senator Murray, issued a Subcommittee Print of Report No. 5, 79th Cong., 2d Sess. The Subcommittee had 8 members. Only 4 signed this Print, namely, Senators **Claude Pepper, Elbert D. Thomas, James E. Murray, and George D. Aiken**. At the time it was noted that "Senators **Taft and Smith** dissent from some of the findings and conclusions of the report."

Now this Print contained the following statement, after damning voluntary medical care plans with faint praise:

"However, to cover everyone, the adverse as well as the good risks, the young and the old, the sick and the well, the rural and the city dwellers, the low- and the high-income groups, the poor and the rich areas, *all this takes a mechanism as representative and all-inclusive as a national health program, built around a system of prepaid medical care. It must be financed by required contributions to the social-security fund and by payments from general tax revenues. . . .*

"The cost will not be greater than that of our present inefficient and wasteful fee-for-service system. . . .

"Health insurance is often erroneously called 'socialized medicine' or 'State medicine.' As President Truman [that is, Judge Rosenman, Falk, and Cohen] pointed out in his health message, such a system is one in which the doctors are employed by the Government. We do not advocate this. National health insurance, which we do advocate, is simply a logical extension of private group health insurance plans to cover all the people. It is a joint national endeavor. It will guarantee free choice of doctor or group of doctors and free choice of hospitals by the patient, and free choice of patient by the doctor. Indeed, free choice will be extended, because current financial barriers to the actual exercise of free choice will be broken down." (11, p. 29.)

Now in July of 1946, 4 months after this Print was printed, there suddenly appeared a Subcommittee **Report** No. 5, not a *Print*, but an actual Report, which implied that the Subcommittee had voted on it and approved it. This Report was identical in wording with the Print of March, 1946, except that a little note had been added to the effect that: "Senators **Hill, Tunnell and Morse**, because of the pressure of other business, have not com-

pleted their study of the subject of this report." Senator Morse was not a member of the Subcommittee, so his name should not have been mentioned.

This report from the Subcommittee was picked up by the press and there was much publicity about this seeming approval of the principle of compulsory health insurance. Remember, the chief of the Subcommittee staff was Charles Kramer, member of two Communist underground operations, and his assistant was Charles Bragman, member of three Communist fronts who would hardly have been chosen by Kramer unless he were a Communist. Kramer, when asked by the Un-American Activities Committee: "Did you ever, during your service in the Government, furnish classified documents to any unauthorized people?" took the Fifth Amendment. (13, p. 2993.)

The publication of this unauthorized Subcommittee "Report" brought immediate protest on the Senate Floor by Senators Forrest C. Donnell and H. Alexander Smith, members of the Subcommittee, (*Congressional Record*, July 23, 1946, pp. 9841-9847, and July 24, pp. 10047-10050).

The late Senator **Robert M. LaFollette** (R., Wisc.) resigned from the subcommittee and the following year wrote an article for Collier's Magazine entitled: "Turn the Light on Communism." He said: ". . . the staff of a subcommittee of the Senate Committee on Education and Labor was infiltrated by fellow travelers . . . I was appointed a member of this subcommittee, but I resigned later . . . partially because I did not want to be associated with a program of a staff in whom I could not have complete confidence.

"Later the staff released a report and recommendations on health legislation under highly irregular procedure that prompted severe criticism on the floor of the Senate. The report was a program. It was released with the implication that it had the approval of the sub and full committees." (17, p. 33.)

I would point out that neither Kramer nor Bragman was an expert on compulsory health insurance—a highly technical subject. The liaison man from the Social Security Board was Mr. Cohen, then working for I. S. Falk who, at that time, was rated the leading expert in the country. The question is: Who prepared the wording of that spurious Subcommittee Report on "Health Insurance"?

Clash of Ideologies on a National Health Program

The year 1947 was marked by an open clash between those who favored grants-in-aid to the States to enable them to aid

those persons who could not finance the costs of their medical care and those who favored national compulsory health insurance for everyone, regardless of ability to pay their own way.

These two diverse ideologies were represented in Senator Taft's bill, S.545, and the Wagner-Murray-Dingell bill, S.1320. Hearings started on May 21, 1947, before a 5-man Subcommittee on Health, headed by Senator **H. Alexander Smith**. The Republicans were in control of the 80th Congress. Senators **Murray** and **Pepper** attended regularly, Senator **Joseph H. Ball** (R., Minn.) infrequently, and Senator **Forrest C. Donnell** (R., Mo.) attended every session. Most of the cross-examining was done by Senator Donnell who had gained considerable experience during the earlier hearings on S.1606. Senator Pepper was accompanied by **Charles Bragman**, Senator Murray was accompanied by **William G. Reidy**, and I accompanied Senator Donnell, providing the questions and documentation which he used.

Now Mr. Reidy had been hired by Senator Murray early in 1947. He came directly from the staff of the Committee for the Nation's Health, Inc., and returned to that staff after the hearings, being a registered lobbyist for the CNH before and after the hearings. He was not professionally trained, but was an expert at stirring up trouble during hearings. During World War II he had achieved a deferred status, as was the case with so many of these men who were trying to nationalize medicine—Mr. Cohen, Frederick D. Mott, M.D., Kenneth Pohlmann, etc. Reidy had been under FBI surveillance because he caused disturbance in a public housing project in California during the War by pitting racial groups against one another.

Reidy moved back and forth between the CNH staff and Senator's Murray own staff, eventually joining the staff of the Committee on Education and Labor where he still is serving as Staff Director of the McNamara Select Committee on Aging.

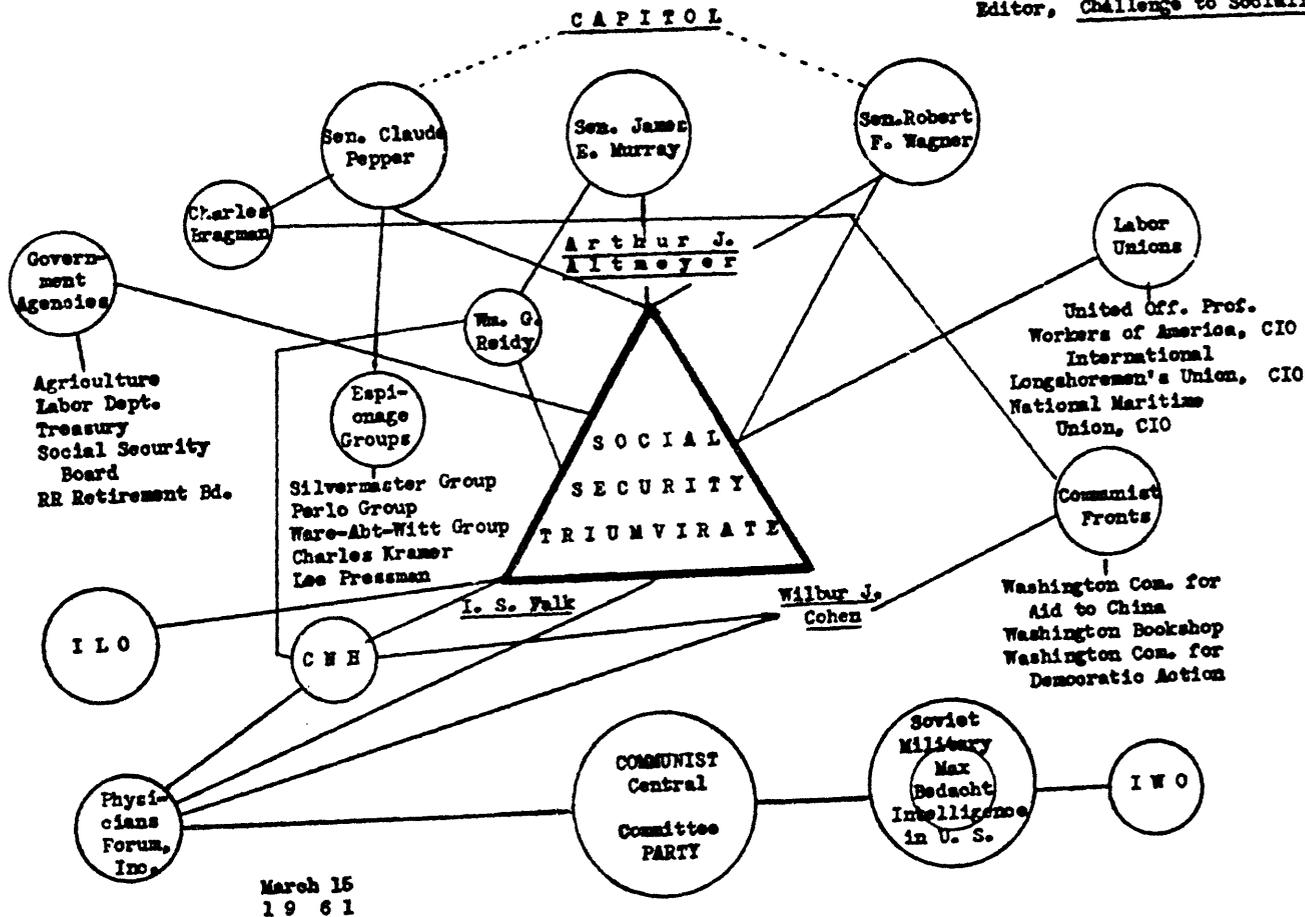
This appointment of a lobbyist on Senator Murray's own staff brings us back to the Committee for the Nation's Health, Inc. During 1947 there was copyrighted a film strip called "Medical Insurance—Pathway to Health"—an ERG Production. The copyright was by Current History Films, 77 Fifth Avenue, New York 3, N.Y. That is the address of the International Workers Order—the organization whose past president was Max Bedacht, the Communist working for the Soviet Military Intelligence.

The name ERG Production was derived from the names of three men who wrote the film strip: **Hall Eiseman**, **Samuel Roberts**, and **Leslie A. Goldman**. Without taking too much time on these three men, I may report that Roberts joined with **Max Bedacht**, **William D. Foster**, Communist Candidate for President

NET OF SUBVERSION IN THE UNITED STATES GOVERNMENT

1940 - 1950

Compiled by
Marjorie Shearn
Editor, Challenge to Socialism



in 1932, and **James W. Ford**, Communist candidate for Vice President that year—all members of the Communist IWO—in sponsoring a Communist Jubilee (20, pp. 830, 852, 904, 1154, 1364, and 1640; also 23, pp. 1661-1667.)

Charles Keller, who wrote the actual narrations for this film, was art editor of the *New Masses*, a Communist publication. Roberts prepared the script, production was by Goldman, and photography by Eisemen—all with subversive records. On Monday, June 2, 1947, the *Daily Worker* had quite a write-up of this film and stated that it could be purchased for \$2.60 at the IWO Film Division, 80 Fifth Ave., New York City, or directly from Current History Films.

Now in the acknowledgements given by the producer there appears this:

“We wish to acknowledge with thanks the generous assistance and cooperation of the staff members of the Committee for the Nation’s Health in supplying data and valuable advice.” (23, p. 1666.)

The references supplied as documentation to go with this film were 7 in number: An article by Michael M. Davis on “Health for the Nation”; “Principles of a Nation-Wide Health Program”; “Medical Care in a National Health Program”—the rigged platform of the American Public Health Association; Falk’s “Medical Care Insurance”; a memorandum from the Bureau of Research and Statistics on “Need for Medical Care Insurance”, published in 1946; “Is Your Health the Nation’s Business,” put out by the War Department with a little assist from Michael M. Davis—and later withdrawn under fire; and an article by Dr. C.-E.A. Winslow of Yale, Falk’s former professor. One observes that those 7 references all slant strongly in one direction—towards the Committee for the Nation’s Health and the Bureau of Research and Statistics in the Social Security Administration. The photos used in the strip came mostly from the Government: Federal Security Agency, Public Health Service, Farm Security Administration, Library of Congress, and Office of War Information.

Now just a few days before the *Daily Worker* announced this film strip, the International Workers Order had inserted a large ad in the Sunday *Daily Worker* of May 25, 1947, “At Last Here’s a Bill FOR You.” A photostat of the ad is in your dossier. The ad and the film strip were neatly timed to appear just at the beginning of the hearings on S. 545 and S. 1320.

Accompanying the film strip was a 2-page history of health insurance in the United States prepared by the Committee for the Nation’s Health, Inc. Just in passing, it may be noted that at the end of the text the union initials of the processor appear—

"uopwa/1". That was the Communist-controlled United Office Professional Workers Association, later expelled by the CIO.

While all this had been going on to stimulate support for the 1947 version of the Wagner-Murray-Dingell bill, a House Committee had been investigating the propaganda activities of the Department of Agriculture and five bureaus in the Federal Security Agency, including the Bureau of Research and Statistics of which Mr. Cohen was Assistant Director.

Prolonged hearings were held and interim reports were prepared. All told, there were 13 propaganda and planning meetings in which 46 Federal employees participated. The meetings took place between November 2, 1945, and November 22, 1946. The first meeting was held in Washington 17 days before President Truman sent his health message to Congress and Senator Wagner introduced S. 1606. It was just 2 days before the predecessor group to the Committee for the Nation's Health, Inc., inserted the ad favoring the President's program—the ad with the 192 sponsors.

Now at the initial planning meeting **George St. John Perrott** presided. He was the Public Health Official who had accompanied the Triumvirate—Altmeyer, Falk, and Cohen—to Montreal in 1943. At that time he had opined that Chile was far ahead of the United States in its Social Security program. Other employees present at that first meeting were the Armenian statistician, **Barkev S. Sanders**, from Falk's staff, **Kenneth Pohlmann** from Farm Security (they had both signed Michael Davis "Principles for a Nation-Wide Health Program in November 1944), and other Social Security and Public Health employees, as well as **Harry Becker** from the Children's Bureau who later moved over to the UAW-CIO.

The group of planners set up 5 Health Workshops. I shall not go into the details. Suffice it to say that the Federal Security Agency mailed out packets of propaganda material in advance, the packets containing pamphlets published by the CIO, AFL, the Communist Physicians Forum, Inc., Bureau of Research and Statistics, etc. Those to whom the packets were sent were urged to write their Senators and Congressmen in favor of the Wagner-Murray-Dingell bill, S. 1606 of 1945.

The evidence indicated that these Federal employees had broken the Federal lobbying law against the use of Federal funds to influence any Member of Congress. (30, p. 43) The House Committee on Expenditures in Executive Departments condemned the employees in question and **Forest A. Harness**, Chairman of the Committee, wrote to the Hon. **Tom C. Clark**, Attorney General of the United States, on June 30, 1947, saying, in part:

"It is the opinion of the subcommittee, from the evidence considered by it at public hearings, that there have been violations of section 201 of title 18 of the United States Code, by employees of the departments and agencies specifically mentioned in the report. It is suggested and recommended that action be taken by the Attorney General of the United States to prosecute these violations and to prevent further disregard by Federal employees and agencies of the law cited." ("Investigation of the Participation of Federal Officials in the Formation and Operation of Health Workshops." Union Calendar No. 404, Rept. No. 786, House of Representatives, 80 Cong., 1st Sess., July 2, 1947, p. 7.)

The Department of Justice did not act.

On July 3, 1947, a witness from the International Workers Order appeared before the Subcommittee on Health of the Senate Committee on Labor and Public Welfare. He was a Russian-born Communist, **Ernst N. Rymer**, a slippery, evasive witness. He stated that "if the great riches and resources of our land were owned by the people and the people benefited from these resources as a whole, we feel the country [that is, the United States] will be better off from that than otherwise." When asked by former Senator **Joseph Ball** "Do you believe that the Communist system will provide a better living and higher standard of living for people?" Rymer replied: "I believe so, sir."

Rymer further expounded his views by stating: "I believe that with the know-how and with the natural resources that we have that we could be 10 times ahead of Russia or any other people of the world, for that matter, under socialism, . . ." (23, pp. 1072-1074.)

In July, 1944, as we have seen, Senators Murray and Wagner extolled the International Workers Order and thanked it for supporting S. 1606.

The Questions at Issue

At the beginning of my testimony I stated that this Committee would probably be unwilling to vote against a Presidential appointee unless there were grave reasons for so doing. I thought that subversion and moral turpitude would constitute such reasons.

I have covered a period of 19 years (1930-1948) in detail, the years when seeds of Communist espionage were planted here in Washington and when the net of subversion was spread over Capitol Hill, Government agencies, and labor unions. They were the years when large numbers of Federal employees, who were never part of the underground, chose to join front organizations which were responsive to orders from the Communist Party.

Many of these members never paid dues to the Party nor carried cards. They were infinitely more dangerous to society because they operated from positions of trust in the Government, in colleges, and in private organizations.

These were the years when nearly every Government agency and many committees of Congress were sites of Communist activity. It took a long time for the Un-American Activities Committee, the Internal Security Subcommittee of the Senate Committee on the Judiciary, and the FBI to ferret out the individuals engaged in subversion. One by one men like Lee Pressman admitted they had been Communists and that they had retained their ideologically attachment to the Party long after they had stopped paying dues. Other men, like Kramer (Krevitsky), took the Fifth Amendment time and again. Testimony on espionage and subversion in the Government of the United States, in unions, and in our educational process runs into tens of thousands of pages.

There is no doubt whatsoever that in the field of Social Security we are dealing with questions of subversion and with an international conspiracy in which three former Federal officials are deeply involved. These officials were former Commissioner Arthur J. Altmeyer, his Technical Adviser, Wilbur J. Cohen, and his Director of Research and Statistics, Isidore S. Falk. Through the Socialist International Labour Organization, their activities reached virtually every part of the world. They traveled widely, serving as consultants in foreign lands. Their object was always to create or to expand Welfare States and to spread the doctrines of Socialism.

These three men, acting as one, used Federal funds improperly, but were not prosecuted. They prepared reports for such dubious individuals as Albert Deutsch, a writer for the defunct Marshall Field paper PM. Thirty years ago Deutsch said to me: "You bourgeoisie ought to be wiped out." Now he is an adviser to the President. I ask why the Social Security Triumvirate collaborated with Deutsch in a vicious series of articles he wrote in the early forties maligning the medical profession and extolling the "virtues" of compulsory health insurance. I ask why the Bureau of Research and Statistics, headed by Falk and Cohen, conducted a research project for Michael M. Davis, head of a lobby. The project related to the fees of radiologists. Is it the function of a Federal bureau to work for a lobby which is loaded with subversives? That particular deal resulted in the resignation of one more professional person (Ruth M. Stocking, M. D.) from the Falk-Cohen Bureau because of her distrust of the work they were doing.

Falk and Cohen distributed pamphlets from the Communist

Physicians Forum, as well as union material, to the health workshops they helped organize in 1945-46 and for which activities the Bureau they headed was cited to the Attorney General. Is it the function of Federal officials, including the man you are considering today, to distribute Communist propaganda and to lobby for Federal bills they have helped to draft and which, if passed, would greatly augment their power? Repeatedly through the years Mr. Cohen, while in the employ of the Federal Government, broke the Federal Lobbying law. That constitutes moral turpitude.

Through these same years Professor Cohen has misrepresented the Social Security program to the American people, to the Congress, and to succeeding Presidents. From coast to coast he has told groups of social workers, nurses, and labor representatives that social insurance is insurance. He knows that the lawyers of the Social Security Board, who wrote the legal brief used in 1937 by the Department of Justice in its defense of the validity of the Social Security Act, insisted that the old-age benefits then in the law were not insurance but gratuities.

He knows that the Attorney General helped win the case before the Supreme Court by contending that the benefits ". . . are gratuities not based on contract . . ." and that the Attorney General further argued at that time that "The Act cannot be said to constitute a plan for compulsory insurance within the accepted meaning of the term 'insurance' . . . the benefits under Title II are, like pensions, to be given or withheld in the discretion of Congress." (14, pp. 20, 21, 77)

The term insurance was not used in the original Act passed on August 14, 1935, but as soon as the case was upheld by a 7 to 2 decision of the Supreme Court, this Triumvirate in the Social Security Board, forgot the arguments their own lawyers had used to win their case and began to sprinkle the term "insurance" through all the bills they drafted after that. And Professor Cohen was right in the middle of the deception. Thereafter, the leaflets published by the Social Security Board began to tell the public that OASI benefits were insurance. Every expert in the field knows that is not true. Professor Cohen, knowing the truth and disseminating falsehoods, is guilty of moral turpitude on that score, too.

And I might add that the present Department of Health, Education, and Welfare should be enjoined from distributing any more false information to the American people. The Social Security leaflets now offered through the Government Printing Office should be destroyed and some honest ones should be printed. It is time the American public was given the truth about the Social Security System, truth long denied.

With respect to subversion. Professor Cohen's involvement is so deep and so widespread, I do not see how he could ever extricate himself. He voluntarily associated himself with three Communist fronts prior to 1941. He worked with, and depended upon, the Communist Physicians Forum, Inc., which was formed in 1939 and which is still very active.

I am well aware of the fact that Professor Cohen may come forth with the usual alibis in such cases. He may tell you he was young, he was inexperienced, he did not know the nature of the organizations in question, he left them as soon as he found out what they were. Such alibis, if offered, will be futile. Professor Cohen, so far as I know, has never denounced any of these groups or any of the subversive persons with whom he has worked through the years. He has never appeared before any of the investigative committees of the Congress where, under oath, he could try to establish his innocence and clear his name. By this own written statement to me, which I published last year (*Challenge to Socialism*, Vol. XIV, No. 13, p. 2), Professor Cohen admitted he had been questioned regarding his loyalty under both the Truman and Eisenhower administrations. He finally obtained some sort of loyalty clearance *after* the Loyalty Review Board functions had been transferred from the Civil Service Commission to the respective agencies by Executive Order. I suggest that the Loyalty Review Board of the HEW Department could stand a Congressional Investigation in the light of the documented facts I have here presented.

Professor Cohen has not broken with his past. As recently as April 1-3, 1960, he served as one of the experts at a meeting at Kellogg Center, University of Michigan, along with Michael M. Davis, organizer of the Committee for the Nation's Health. The 12 experts had been picked by Governor Mennen Williams to discuss the part of the Federal Government in provision of health care.

Let us consider briefly the professional career of Mr. Cohen. As we have seen, he came to Washington in 1934, fresh from college, at the age of 21. That might seem to some of us a bit young for him to occupy the important posts he did. When the Social Security Act was passed, he moved into the new Social Security Board as Technical Adviser to Mr. Altmeyer, at first a member of the 3-man Board, later Commissioner. When World War II broke out, Mr. Cohen was named Assistant Director of the Bureau of Research and Statistics, headed by I. S. Falk. The Committee might be interested in the methods employed to obtain deferrment for this young man of 28 who, immediately *before* the War, had joined three Communist fronts and who, *during* the War, was

very busy working with members of two espionage groups and the lobbies to nationalize medicine, one of the lobbies having been set up by the Communist Party and both of them having interlocking directorates.

During the Eisenhower Administration Mr. Cohen's chief, I. S. Falk, resigned on June 30, 1954. He spent two years as a Social Security Consultant in South America and the Far East and then joined the United Steelworkers of America where he is Consultant to the Insurance, Pension and Unemployment Benefits Department of the Union. This union, as we have seen, was organized by two Communists, one an espionage agent, and it gave financial support to the Committee for the Nation's Health. This past September the Union issued the so-called Falk report: "Special Study on the Medical Care Program for Steelworkers and Their Families."

After Falk left the HEW Department, Mr. Cohen became Director of the Division of Research and Statistics. A year earlier, on July 21, 1953, it was announced in the *Washington Post* that the Civil Service Commission had removed Wilbur J. Cohen from Civil Service status and placed him in Schedule C, along with William Mitchell, Deputy Commissioner for Social Security. Schedule C was set up for policy and confidential jobs. Such jobs can be filled by political appointees. It was only *after* Mr. Cohen was removed from Civil Service status and loyalty fuctions were transferred to the agencies that he obtained some sort of loyalty clearance on March 4, 1955.

On September 22, 1957, Arthur J. Altmeyer retired and Mr. Mitchel became Commissioner. The Republicans might have filled both those jobs with Republicans, but failed to do so. In fact, Mr. Cohen played both sides of the street in an amazing fashion. He finally resigned on August 30, 1958, but continued on the HEW Department payroll as a Consultant until the end of December 1959. A truly incredible situation! He served as Consultant to Social Security Commissioner, William Mitchell.

When Mr. Cohen left the HEW Department Division of Research and Statistics he went to the School of Social Work of the University of Michigan as Professor of Public Welfare Administration. Fedele F. Fauri is Dean of that School. During the 1930's Mr. Fauri was an attorney for welfare agencies. He came to Washington in the 1940's to the staff of the Library of Congress and then served time and again as Consultant to Advisory Councils and, I believe, to this Committee and the Ways and Means Committee.

Now that Mr. Falk has moved over to a union, his place in

legislative work has been taken partially by Mr. Fauri, who, however, is not as well versed as Mr. Falk.

Today, then, the situation is this. Professor Cohen has moved into first place in the Triumvirate. Altmeyer has retired, but is still active. Falk is not so close to Federal legislation, but spends his time stirring up the steelworkers to demand more and larger benefits.

With the coming of a new Administration there has been a shift of positions of persons who wield power. There is Arthur J. Goldberg, former general counsel to the United Steelworkers of America and to the AFL-CIO. He is now Secretary of Labor. He used to be a member of the Board of Trustees of the Committee for the Nation's Health, Inc., apparently, although I have not yet

OFFICERS OF THE COMMITTEE FOR THE NATION'S HEALTH, INC., 1952

<i>Chairman:</i> Channing Frothingham, M.D., (Interlocking Director with Communist Physicians Forum, Inc.)	Abe Fortas)	Henry Kaiser Mary D. Keyserling John A. Lapp Joseph Meyer, M.D. Newbold Morris Dorothy Norman James G. Patton Eric Peterson Jacob Potofsky Harry Read Emil Rieve Samuel I. Rosenman Theodore M. Sanders Max Seham, M.D. Robert E. Sherwood Boris Shiskin W. C. Taylor Robert F. Wagner R. M. Walls, D.D.S. Lester Washburn Hubert Will Wilson M. Wing, M.D.
<i>Honorary Vice Chairmen:</i> William Green F. J. McConnell Philip Murray Bishop B. G. Oxnam Mrs. Franklin D. Roosevelt Gerard Swope Walter Wanger	<i>Chairman,</i> <i>Executive Committee:</i> M. M. Davis <i>Board of Directors:</i> C. Frothingham, M.D. Viola W. Bernard, M.D. James A. Brownlow M. L. Cooke Paul B. Cornely, M.D. John J. Corson (Previously Social Security)	
<i>Treasurer:</i> M. L. Cooke	M. M. Davis Albert W. Dent John Edelman Frank F. Furstenberg Arthur Goldberg Harry Goldblatt, M.D. John Gunther Walton Hamilton	
<i>Secretary:</i> Walton Hamilton (First Director of Research and Statistics, Social Security Board, later in law firm with		

been able to verify if the Arthur Goldberg of the CNH Board of Trustees was the man who is now Secretary of Labor. He is reported to be a good friend of I. S. Falk.

Secretary Arthur Goldberg had his share of Communist-front connections. In 1939 he joined several Communists to sponsor a Conference on Civil Liberties in America. Some of the Communists were: **William L. Patterson** of Chicago, **Doxey A. Wilkerson**, who left the Federal Security Agency to take a job with the Communist Party, **Dr. Bella V. Dodd**, and **John P. Davis**. Other sponsors included **Carol Weiss King** and a number of other persons who later joined Michael M. Davis as Charter Members of the Committee for the Nation's Health, Inc.

So we have Secretary of Labor, **Arthur J. Goldberg**, who would give Mr. Falk easy access to the President. If you approve Professor Cohen's appointment as Assistant HEW Secretary, you

will be giving another member of the Triumvirate direct access to the President through Secretary of Health, Education, and Welfare Ribicoff. Through Mr. Cohen the head of the former Committee for the Nation's Health, Michael M. Davis, and the Physicians Forum leaders would have free access to Mr. Ribicoff and, presumably, the President.

Just what would such a situation do to the American people? They would not have a ghost of a chance to escape the Welfare State. This wilful Triumvirate would spell out the legislation and force it through Congress by the ruthless use of power politics. Labor unions, whether Communist dominated or not, would be called upon. The Communist Physicians Forum would continue to be used as it has been for over 20 years. Welfare workers, public health officials, and nurses — all previously subverted by the Triumvirate in a general way and by Cohen in particular — would besiege Congress to approve compulsory health insurance. Congress could hardly resist these engineered pressures. The country would be swept into a full Socialist State in no time at all.

You will note that Cohen uses the Communist technique of "divide and conquer." He saw in 1948 after some 50 sessions on two comprehensive Wagner-Murray-Dingell bills that neither party was willing to report out that type of legislation. The bills died in Committee. In 1950 the Social Security people adopted a policy of nationalizing medicine and expanding the Welfare State piecemeal. Self-employed workers were forced into the system though Social Security lawyers contended in 1937, and the Department of Justice used the argument before the Supreme Court, that self-employed workers should not be covered because they were self-supporting.

Then cash disability benefit payments were added. Now the latest gimmick — and it is just that — is a small program for hospital care for the aged. I think that every member of this Committee knows full well that the ONLY thing Professor Cohen is interested in at this time is having the social insurance mechanism recognized by the Congress as the vehicle for implementing legislation to provide medical care controlled by the Federal Government.

He has suggested a small bill to give hospital benefits without medical care. The reason he is proposing this is that he wants to be able to say "This is not socialized medicine. No doctor will be involved." That is a perfectly foolish argument and he knows it. In the first place, what most of the 65-plus group need is medical care by a family physician in their homes or at the doctor's office. The approach through hospital legislation is designed to bite off a small part of the problem, but primarily to persuade Congress

to put the program into the social insurance part of the Social Security Act. Once the Congress authorizes one penny for one old person under the social insurance mechanism, it is a foregone conclusion that the country within a short space of time will adopt a national compulsory health insurance program for everyone. There will be no escape. And Professor Cohen is the man back of his deal. You know that, too.

People all over the United States are worried about what is happening in Washington. They do not like the confirmation of some of the new appointees. They do not like the way appointees are rushed through the Senate as Robert C. Weaver, Housing Administrator, was rushed. But probably the most widespread opposition is to this particular appointment.

A man with a record like Mr. Cohen's should not be permitted to hold any Federal position, least of all one of such great power. The bills he has drafted or aided in drafting have affected every person in this country. They have affected the tax structure. They have interfered with the free spending power of individuals who are forced, many against their wills, to support a Socialist Social Security System of which they do not approve.

It would be a great and irreparable disservice to this Republic if the Senate Finance Committee should approve this appointment. The questions at issue in this case are subversion and moral turpitude. I believe this man before you has already done more damage to the country as a whole than any other man of his time. Through the positions he has held and the power he has wielded he has, more than anyone else, thrust the United States into the world conspiracy not only for the nationalization of medicine, but for the establishment of a Socialist form of Government.

Patriotic Americans Urge You to Preserve the Republic

Patriotic and other organizations have asked me to present their plea to this Committee that you disapprove this appointment of Professor Wilbur J. Cohen to be Assistant HEW Secretary. Surely the American people have a right to expect that the Senate of the United States will protect them from a man like Professor Cohen. The appointee to this high and sensitive post should, like Caesar's wife, be above suspicion. Mr. Cohen is not above suspicion. He has spent the major portion of his professional life — more than a quarter century — in a twilight zone peopled by espionage agents, Communists not in the underground, and Communist frontiers. He worked with, and relied upon, two lobbies organized for the purpose of foisting national compulsory health

insurance on the entire population of this country. One of these lobbies was organized at the behest of the Communist Party, the other was organized by a group two-thirds of the members of which had tie-ins with Communist fronts on a Nation-wide basis. These two lobbies for the nationalization of medicine had interlocking directorates, the head of each lobby being a member of the other lobby. Communist control and influence in these lobbies should not be overlooked.

Professor Cohen cannot extricate himself from his past. He was one of a Triumvirate of Federal officials who were determined to change our form of Government from a republic to a Socialist—if not a Communist—State. His loyalty to our Government was in question for many, many years. He was repeatedly investigated by Federal Loyalty Boards and by the FBI. He has not publicly repudiated the Communists with whom he worked and upon whose help he relied. He has not severed connections with a dubious past. Instead, he has subverted innocent and unsuspecting groups, like the social workers and nurses, who looked to him for professional guidance and help. He has courted the power of organized labor through their unions.

Some of the Senators with whom Mr. Cohen worked sought the support of outright Communist groups like the International Workers Order and The Physicians Forum, Inc. Did Mr. Cohen ever break with those Senators? Did he ever denounce the International Workers Order, or The Physicians Forum, or the Committee for the Nation's Health?

Patriotic Americans want no part of a man like Mr. Cohen. He has betrayed them. He has presented a false image of Social Security. He is motivated by an overwhelming yearning for power. Power over our tax structure. Power over the ways in which individuals may spend their money, lead their lives, determine their destinies. His lust for power has ruined him as a suitable candidate for any public office, in any university, in any position of trust. We all know that "Power tends to corrupt; absolute power corrupts absolutely." And it is absolute power that Professor Cohen seeks.

He is not a man of integrity, of honesty, of incorruptibility. Will the Members of this Committee augment his power, give a rubber-stamp approval, and forfeit the trust of the American people in the wisdom of your decisions? I urge you to consider his record and the documentation before you. Your decision should not be partisan, but rather one determined by your own wisdom and sound judgment of what is best for the American people.

I thank you for hearing me. That ends my testimony. I

have a small additional appendix dealing with the question of "socialized medicine," which I think it is unnecessary to read, but which I should like to have incorporated as though I had read it. I ask that the letters and telegrams which I have received be incorporated in the record immediately following my bibliography. They are the voices of Americans who love this country as it was founded and who desire to preserve the Republic and Constitutional government.

APPENDIX A

In President Truman's message of November 19, 1945, (House Doc. 380 of the 79th Cong., 1st Sess.) appears this language:

"The American people are the most insurance minded people in the world. They will not be frightened off from health insurance because some people had misnamed it 'socialized medicine.' I repeat: What I am recommending is not socialized medicine."

A similar disclaimer is found in the Subcommittee Print of Report No. 5, 79th Cong. 2d Sess., March 1946, on "Health Insurance" issued by the Pepper Subcommittee. Here the language is:

"Health insurance is often erroneously called 'socialized medicine' or "State medicine.' As President Truman pointed out in his health message, such a system is one in which the doctors are employed by the Government. We do not advocate this. National health insurance, which we do advocate, is simply a logical extension of private group health insurance plans to cover all the people."

The original disclaimer, put into President Truman's message and later repeated many times, is entirely false. Of course compulsory health insurance is "socialized" or "State" medicine. Social Security officials have elected to state that the distinguishing characteristic of socialized medicine is that the doctors are employed by the Government. This is a bit of bureaucratic semantics not related to lexicographic realities.

Webster defines State Socialism as a "form of socialism prevalent in Germany and Great Britain, which advocates using the power of the state to equalize income and opportunity by measures such as progressive income and inheritance taxes and compulsory insurance against old age, unemployment, sickness, and accident and by state administration of industries, public utilities, common carriers, banking, housing, and the like."

Thus, by definition, compulsory health insurance is one of the measures utilized by the State to equalize income and opportunity in countries having a State Socialist form of govern-

ment. Indeed, compulsory insurance was an essential part of the fiscal and regulatory machinery devised by Bismarck's economic adviser, Professor Adolph Wagner.

Webster defines "State medicine" as "*medical treatment provided or controlled by a government and subsidized by public funds.*" Thus, the very essence of State medicine is that it shall be provided or controlled by government and subsidized by public funds. That is exactly what social insurance medicine, or compulsory health insurance, is. Webster does not say one word about whether or not doctors are paid a salary. That distinguishing characteristic was invented by Social Security officials, or Michael M. Davis, or all of them together. In any event, whether paid by capitation, or salary, or fee-for-service, *if the payment comes from public funds and if the government controls the services, State medicine, or socialized medicine, is a reality.*

Now where did this nonsensical term "social insurance" come from? As the British Political and Economic Planning Group (PEP) said years ago: "It is neither social nor insurance."

Bismarck's economic adviser, Professor Wagner, had his own ideas about how to handle the rising demands of the German people for better wages and more social services. He also had ideas about taxation. Despite bitter opposition in the Reichstag, Bismarck, aided by Professor Wagner, pushed through a series of State insurance laws in the 1880's. It has been said that Bismarck's aim was, "first to muzzle the official Social Democrats, and then, by a series of small bribes, to wean the proletariat from their adherence to revolutionary principles." (29, p. 107)

Bismarck translated into law the theories of the man who is credited with having done more than anyone else to give to State Socialism its "scientific form and scientific foundation." Professor Wagner's social philosophy and total program for State control were outlined in an article published in 1887 in which he advocated public ownership of banking, insurance, communications, and utilities, and State "insurance against sickness, incapacity, and old age." He likewise proposed and justified a new scheme of taxation that would not only serve the legitimate purpose of raising revenues but would at the same time fulfill the purpose of what he called "regulative interference."

This "interference" was to operate by regulating first the distribution of income and wealth, and second, the purchasing power and living habits of the "lower classes." The latter form of "interference" was to be accomplished by "administrative measures, and eventually by compulsion." Wagner stated, "This two-sided policy of taxation I call social. The second side here advanced . . . is based, as concerns the mass of the population,

the lower laboring classes, on the assumption that in the truest interests of the nation a guardianship may and must be exercised over the national consumption or over the application of income to personal purpose." (6, pp. 156-158.)

These "social" insurance laws, thrown as a sop to the Socialist Cerberus, were acclaimed as "the high-water mark of German State Socialism." Designed to quiet the complaints of the Social Democrats and at the same time to ease the burden on the local governments for care of the sick poor, they were preeminently political and economic devices rather than health measures. The law of sickness insurance was passed without the professional advice of health and medical experts and physicians; and administrative control was placed in lay hands.

Bismarck, it is to be remembered, was hard-pressed for funds. He was seeking new sources of revenue. In the guise of what he called "practical Christianity" (Speech delivered by Bismarck, April 2, 1881, *The German Classics*, Vol. X, 1914, pp. 221-243.) he induced the Reichstag to approve his new plan for taxing the workers, thereby making them shoulder the burden of most of their own poor relief. In return for their acceptance of the principle of "compulsion" and of control by a powerful bureaucracy, the "lower classes" were promised certain pitifully small and limited benefits which they might claim as a "right."

German sickness insurance was financed by payroll taxes on employers and employees, with the workers, until as late as 1934, paying two-thirds of the cost. The Government provided the compulsion and interference; labor and management footed the bills. The doctors were squeezed between the upper and nether millstones of regulation and interference.

The advocates of compulsory health insurance have recently criticized the medical profession for adhering to nineteenth century ideas about the provision of medical care. It should be realized that what the Triumvirate—Altmeyer, Falk, and Cohen—has been advocating is Bismarckian, nineteenth century compulsory health insurance. There is nothing new about their proposals for a "New Frontier." There is nothing American about it or about the payroll tax which was not invented by the late Beardsly Ruml, as some have claimed.

The whole idea back of these so-called social insurance laws is to foist State Socialism and the Welfare State upon this Republic. What the planners seek is control over the population, over their spending habits, and over the tax structure. In 1938, the economists Loucks and Hoot, analyzing capitalism, Socialism, and Communism, said:

"Every socialist program advocates a comprehensive scheme

of social insurance, in the interest of economic security for the individual . . .

“Without denying that systems of social insurance might be established and operated successfully under an economy essentially capitalistic in nature, the socialist argues that the **efficient** operation of a **comprehensive** scheme of social insurance is possible only under socialism. Only under the centralized and planned control exercised by such a system could the necessary coordination be developed among wages, contributions, and benefits, between the payment of benefits and the offering of opportunities to work, and among the various forms of benefits. Moreover, the socialist contends that the cost of protecting the individual against the uncertainties of income which lies outside his control should be borne by society as a whole, in the manner least costly to the group as a whole. To distribute the costs in this manner requires a fusing of incomes and accounts held to be impossible under a capitalistic economic system. **For these reasons, all modern socialistic programs advocate schemes of social insurance . . .**” (Emphasis mine. Loucks, William N., and Hoot, J. Weldon, “Comparative Economic Systems,” 1938, p. 347.)

This analysis, published 23 years ago, presages what has been occurring in the United States in establishing a Socialist program legalized by the Social Security Act.

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**PLEAS FROM PATRIOTIC AMERICANS URGING THAT
WILBUR J. COHEN SHALL NOT BE CONFIRMED AS ASSISTANT
SECRETARY OF HEALTH, EDUCATION, AND WELFARE***

I shall list a few of the organizations which wrote or telegraphed me urging me to represent them at the Senate Finance Hearings and to oppose this appointment.

American Academy of General Practice, 27,000 members, the family doctors of the Nation
 DAR, Angleton, Texas
 Cradle of Texas Chapter of Daughters of the Republic of Texas
 Klamath County Chamber of Commerce, Klamath Falls, Oregon
 Chairman, Legislative Committee of Georgia State Nurses Association
 Congress of Freedom, Inc., Omaha, Nebraska
 Chapter 93 John Birch Society, Santa Barbara, California
 The Tarrant Texans for America, Fort Worth, Texas
 Chapter 85 John Birch Society, Fort Worth, Texas
 Indiana Health Underwriters Association, Indianapolis, Indiana
 Property Owners Association, Taxpayers, Inc., and Ohio Education Council, Columbus, Ohio
 Individuals for Freedom, Summit, Mississippi
 Citizens for Freedom, Houston, Texas
 Constitution Society of Ohio and Affiliates, Columbus, Ohio
 Watch Washington Club of Columbus and Central Ohio
 The Forty Niners, Indianapolis, Indiana
 Central Ohio Academy of General Practice, Columbus
 American Legion Post No. 581, Dallas, Texas
 The Board of the Dallas Federation of Women's Clubs
 Utica Mutual Insurance Company, N.Y.
 Cowley County Medical Society, Winfield, Kansas
 Granger Studio, Tallahassee, Fla.
 Aid Association for Lutherans, Appleton, Wisconsin
 Maricopa County Pediatric Society, Phoenix, Arizona
 Scott Ernest Company, Realtor, Houston, Texas
 Federation for Constitutional Government, New Orleans, La.
 Roentgen Diagnosis, Radiation, and Isotope Therapy, Denver, Colo.
 The Dade County Coalition, Miami, Florida
 Scott Radiological Group, St. Louis, Mo.
 American National Insurance Company, Galveston, Texas
 Washington National Insurance Company, Evanston, Illinois
 We, The People, Chicago, Illinois
 Minnesota Commercial Men's Association, Minneapolis, Minn., Paul Clements, President
 Top of Texas Medical Society, Borger, Texas
 Harris County Chapter, Association of American Physicians and Surgeons, Houston, Texas
 Santa Barbara County Chapter of AAPS, California
 Coleman Clinic, Canton, Illinois
 Tarrant County Medical Society, Fort Worth, Texas

I have received telegrams and letters from individual citizens in Hawaii, Louisiana, Iowa, Massachusetts, New Jersey, North Carolina, South Carolina, Florida, Texas, Connecticut, Georgia, Nebraska, Washington, Oregon, California, Illinois, Ohio, Michigan, Arkansas, Maryland, Virginia, Pennsylvania—all across the country, asking me to oppose this appointment and to present my documentation. This is the Voice of America urging that the Republic be preserved and that the course of Welfare State expansion be blocked. This is the Voice of America asking that the Senate of the United States shall not confirm the appointment of Wilbur J. Cohen.

* This page is not in my testimony, but indicates the kind of organizations which wrote and telegraphed me. There are over 300 messages which I expect to insert in the hearings.

(Dossier submitted by Dr. Shearon follows:)

DOCUMENTATION SUPPORTING TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE ON THE APPOINTMENT OF WILBUR J. COHEN TO BE ASSISTANT SECRETARY OF HEW, DELIVERED BY MARJORIE SHEARON, EDITOR, CHALLENGE TO SOCIALISM, 1961

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- CHARLES KRAMER (KREVITSKY), *espionage agent* (pp. 2, 5, 20, 34) (testimony at hearings, pp. 327, 339, 366, 371).
- NATHAN GREGORY SILVERMASTER, *espionage agent*. (pp. 2, 3).
- JOHN J. ABT, *espionage agent* (pp. 2, 5, 33, 34).
- NATHAN WITT, *espionage agent* (p. 5).
- LEE PRESSMAN, *espionage agent* (p. 5).

INVESTIGATION OF UN-AMERICAN PROPAGANDA ACTIVITIES IN THE UNITED STATES

Special Committee on Un-American Activities, House of Representatives, Seventy-eighth Congress, Second Session, on House Resolution 282, to investigate (1) the extent, character, and objects of un-American propaganda activities in the United States, (2) the diffusion within the United States of subversive and un-American propaganda that is instigated from foreign countries or of a domestic origin and attacks the principle of the form of government as guaranteed by our Constitution, and (3) all other questions in relation thereto that would aid Congress in any necessary remedial legislation

COMMITTEE PRINT

APPENDIX--PART IX: COMMUNIST FRONT ORGANIZATIONS, WITH SPECIAL REFERENCE TO THE NATIONAL CITIZENS POLITICAL ACTION COMMITTEE

SIXTH SECTION

WASHINGTON COMMITTEE FOR AID TO CHINA

The Washington Committee for Aid to China was affiliated with the China Aid Council. For the Communist character of the China Aid Council, see the index for references to that parent organization.

On exhibit No. 1 it will be noted that Frederick V. Field was one of the featured speakers of the Washington Committee for Aid to China. Field, according to this announcement, was officer in three other Communist-front enterprises, namely, Amerasia, the Institute of Pacific Relations, and the American Peace Mobilization. In his speech (see exhibit No. 2), Field urged "the withdrawal of aid from England." It should be remembered, in this connection, that Field's speech was delivered (February 11, 1941) during the period of the Stalin-Hitler pact when the Communists in this country—and the world over—held that England's side in the war was in no way preferable to that of Hitler's Nazis.

The China Aid News, a monthly bulletin published by the Washington Committee for Aid to China, carried on energetic propaganda for the Communists in China.

On August 7, 1941, a subcommittee of the Special Committee on Un-American Activities took extensive testimony on the Communist control of the Washington Committee for Aid to China. It was, for example, established by original documents that the Washington Committee for Aid to China had entered into a typical Communist maneuver with the National Negro Congress in a concert given by Paul Robeson at the Uline Arena in Washington, D.C., April 25, 1941. Not even the executive committee of the Washington Committee for Aid to China was apprised of the arrangement entered into by its leaders whereby the National Negro Congress was to share 50-50 in the proceeds from the Paul Robeson concert. Consequently, two different sets of advertising matter for the Robeson concert appeared. One set said "Paul Robeson sings for China at the Uline Arena, Friday evening, April 25, sponsored by the Washington Committee for Aid to China." The other set, obviously designed for distribution among Negroes, said "Paul Robeson sings for the Negro people at Uline Arena, Friday evening, April 25, under the auspices of the National Negro Congress." (For a transcript of the testimony on the Washington Committee for Aid to China, see executive hearings, Special Committee on Un-American Activities, pp. 2361-2390.)

The research staff of the Special Committee on Un-American Activities prepared a tabulation showing the extensive interlocking of personnel of the Washington Bookshop, the Washington Committee for Democratic Action, the American League for Peace and Democracy, the Washington Committee for Aid to China, and other Communist-front organizations. As introduced into testimony on August 7, 1941, that tabulation was as follows:

"Mr. MANDEL. The first on my prepared list is Frederick A. Blossom, also known as F. A. Blossom. He lives at 125 Fifth Street NE., and is employed by the Library of Congress.

"He is a member of the Washington Bookshop; Washington Committee for Democratic Action; translator, the Toller; member, American League for Peace and Democracy; member, League of American Writers; member, Nonpartisan

Committee for the Reelection of Congressman Vito Marcantonio; and a member of the Washington Committee To Aid China.

"Charles Bragman, Post Office Box 236, Franklin Station, is employed by the Railroad Retirement Board. He is a member of the Washington Committee for Democratic Action; member, American League for Peace and Democracy; and a member of the Washington Committee To Aid China.

"L. D. Brandeis, 2205 California Street NW., Associate Justice, U.S. Supreme Court, retired. He is a member of the Washington Bookshop and the Washington Committee To Aid China.

"Leon J. Brodsky, also known as L. J. Brodsky, 1506 R Street NW., is a member of the Washington Committee for Democratic Action, the Washington Committee To Aid China, and sent greetings to the Soviet Union Sunday Worker.

"Phil Brown, also known as Phillip Brown, lives at 26 East Crescent Road, Box 883, Greenbelt, Md., and 1713 I Street NW., employed by the Farm Security Administration. He is a member of the Washington Committee for Democratic Action, a member of the American League for Peace and Democracy, a member of the Washington Bookshop, a member of the Washington Committee To Aid China.

"Eva Budd, alias Eva Buddnowitz, lives at 1630 R Street NW., and is a member of the Washington Bookshop; a member of the Washington Committee for Democratic Action; a member-at-large of the executive committee, American League for Peace and Democracy, Washington Branch; secretary, National Federation for Constitutional Liberties; member, Provisional Committee for a Washington Committee for Democratic Rights, and a member of the Washington Committee To Aid China.

"Charlotte Burns, 1305 10th Street NW.; clerk, Post Office Department; is a member of the Washington Committee for Democratic Action; a member of the Washington Bookshop; publicity chairman, Washington Committee To Aid China; member, American League for Peace and Democracy, and a member of the Washington Committee To Aid China.

"Wilbur J. Cohen, New Cut Road, Rural Free Delivery No. 3, Bethesda, Md., employed by the Social Security Board, is a member of the Washington Committee for Democratic Action, member of the Washington Bookshop, and a member of the Washington Committee To Aid China.

"Mrs. Lyle Cooper, also Mrs. Helen A. Cooper, 4931 Butterworth Place NW., is employed in the Department of Labor. She is a member of the Washington Committee for Democratic Action; member of the American League for Peace and Democracy; member, Washington Committee for Aid to China, and a member of the Washington Bookshop.

"Bertram Diamond, 3620 16th Street NW. and 2138 F Street NW., is a member of the Washington Committee for Democratic Action and a member of the Washington Committee for Aid to China.

"H. H. Douglas, also Henry H. Douglas, 1622 18th Street NW. and 2019 O Street NW., is employed in the Library of Congress. He is a member of the Washington Committee for Democratic Action, a member of the American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Tilford E. Dudley, 2010 Kalorama Road NW., employed as an examiner by the National Labor Relations Board, is a member of the Washington Committee for Democratic Action, a member of the Washington Bookshop, and a member of the Washington Committee for Aid to China.

"Willard Friedman, also Willard Freedman, 5740 Colorado Avenue NW. and 2019 North Smythe, Arlington, Va., is an economist in the Department of Labor. He is a member of the Washington Committee for Democratic Action, a member of the Washington Bookshop (Mrs. Friedman), and a member of the Washington Committee To Aid China.

"Alexander Gall, 2656 15th Street NW., is employed as an analyst, Social Security Board. He is a member of the Washington Committee for Democratic Action, a member of the American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Sarah Ginsberg, 3051 Idaho Avenue NW. and 3000 39th Street NW., is employed as an economist, Department of Labor. She is a member of the Washington Bookshop, a member of the Washington Committee for Democratic Action and a member of the Washington Committee for Aid to China.

"Anna Goodman, also Ann Goodman, also Mrs. Ben Allen, 2225 N Street NW., is employed in the General Accounting Office. She is a member of the American

League for Peace and Democracy; a member of the Washington Committee for Democratic Action, and a member of the Washington Committee for Aid to China.

"Robert Greenberg, also R. Greenberg, 1618 17th Street NW., is employed as an economist, Department of Labor. He is a member of the Washington Bookshop; member of the Washington Committee for Democratic Action; is a member of the American League for Peace and Democracy; sent greetings, Dally Worker, 8th anniversary and is a member of the Washington Committee for Aid to China.

"Leroy Hulbert, 1430 Park Road NW., is a member of the Washington Committee for Democratic Action; a member of the Washington Bookshop, and a member of the Washington Committee for Aid to China.

"Robert Handschin, also Robert Handschen, 960 Randolph Street NW. and 4225 2d Road, Arlington, Va., is member of the Washington Committee for Democratic Action; is a member of the Washington Bookshop; and is a member of the Washington Committee for Aid to China.

"Seymour H. Howard, 1720 19th Street NW., is a member of the Washington Bookshop, is a member of the Washington Committee for Democratic Action, and is a member of the Washington Committee for Aid to China.

"Dorothy Jacobson, 736 22d Street NW., is a member of the Washington Bookshop; is a member of the Washington Committee for Aid to China; bulletin chairman of the Washington Committee for Aid to China, is a delegate from UFWA to Washington Committee to Aid China.

"Madeline Jaffe, 3020 Tilden Street NW., 1869 Mintwood Place, is employed as a statistician in the Department of Agriculture. She is a member of the Washington Committee for Democratic Action, is a member of the Washington Bookshop, a member at large, executive council of Washington Committee for Aid to China, and a member of the Washington Committee for Aid to China.

"Mercer Johnson, also Mercer G. Johnston, 1233 Madison Street NW., and 2015 Klinge Road, is employed as an REA assistant division director, Department of Agriculture. He is a member of the Washington Bookshop, is a member of the Washington Committee for Democratic Action; is a member of the American League for Peace and Democracy; and is a member of the Washington Committee for Aid to China.

"Anna Louise Jones, 1312 18th Street NW., is employed as a stenographer in the Department of Labor and is secretary of the UFWA Local Labor No. 12. She is a member of the Washington Committee for Democratic Action, is a member of the American League for Peace and Democracy, and is a member of the Washington Committee for Aid to China.

"Ogden Keller, also Ogden A. Keller, 310 East-West Highway, Chevy Chase, Md., is employed in the Library of Congress. He is a member of the Washington Committee for Democratic Action, is a member of the American League for Peace and Democracy, is a member of the Washington Bookshop (Mrs.), and is a member of the Washington Committee for Aid to China.

"Mrs. Ogden Kelley, also Mrs. Ogden A. Kelley, 310 East-West Highway, Chevy Chase, Md., 2300 California Street NW., is a lawyer, Senate Interstate Commerce Committee. She is a member of the Washington Bookshop, a member of the American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Muriel R. Koenigsberg, 3380 Fort Stevens Drive NW., is employed by the Civil Service Commission. She is a member of the Washington Committee for Democratic Action; is the executive secretary, Washington Committee for Aid to China, and a member of the Washington Committee for Aid to China.

"Hunter Morrison, 2019 O Street NW., 1713 Riggs Place NW., and 1406 Hopkins Street NW., is employed in the Department of Agriculture. He is a member of the Washington Bookshop, is a member of the Washington Committee for Democratic Action, and is a member of the Washington Committee for Aid to China.

"David B. McCalmont, Jr., also D. B. McCalmont, Jr., 1615 New Hampshire Avenue NW., attorney, National Labor Relations Board. He is a member of the Washington Bookshop, is a member of the Washington Committee for Democratic Action, is a member of the American League for Peace and Democracy, and is a member of the Washington Committee for Aid to China.

"Michael H. Naigles, also M. H. Naigles, 3049 Veazy Street NW. He is a member of the Washington Committee for Democratic Action; is a member of the American League for Peace and Democracy; chairman, finance committee, American League for Peace and Democracy, Washington branch; and is a member of the Washington Committee for Aid to China.

"Eleanor Nelson, also Eleanor Robinson Nelson, 532 17th Street NW. and 700 Thayer Avenue, Silver Spring, Md. She is a member of the Washington Committee for Democratic Action; is secretary-treasurer of the United Federal Workers of America; discussion leader, National Negro Congress; speaker, Washington Labor Peace Committee; member of Woman's Trade Union League; a member of the Washington Committee To Aid Spanish Democracy; United Federal Workers; Communist Party; Socialist Party; and is a member of the Washington Committee for Aid to China.

"Gail Richter, 4111 Third Road North, Arlington, Va. She is a member of the Washington Committee for Aid to China and is a member of the Washington Bookshop (Irving).

"Selma R. Rein, also Mrs. David Rein, 1737 New Hampshire Avenue NW., employed at National Labor Relations Board. She is a member of the American League for Peace and Democracy, is a member of the Washington Committee To Aid China, is a member of the Washington Committee for Democratic Action, and is a member of the Washington Bookshop.

"Isadore Salkind, also Isadore Salking, Everglades Apartments, 2223 H Street NW., analyst, Department of Agriculture. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Mary Scherr, 2127 California Street NW., Apartment 601. Clerk, Department of Agriculture. Member, Washington Committee for Democratic Action; member American League for Peace and Democracy; and a member of the Washington Committee for Aid to China.

"Helen Silvermaster, also Helen P. Silvermaster, Mrs. N. Gregory Silvermaster, 5515 30th Street NW. Member, Washington Committee for Democratic Action; member, Washington Bookshop, and a member of the Washington Committee for Aid to China.

"Morton Stavis, Seven Locks Road, Bethesda, Md., and Route No. 8, Bethesda, Md. Attorney, Federal Security Agency. Member, Washington Committee for Democratic Action; member, Washington Bookshop; signer of telegram against conscription, Lawyers Committee To Keep the United States Out of War, Emergency Peace Mobilization; candidate for delegate to national convention of National Lawyers Guild; member of Washington Committee for Aid to China.

"George Slaff, also George E. Slaff, 1640 Rhode Island Avenue NW. Federal Prisons Commission, Federal Power Commission, Securities and Exchange Commission. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy; sponsor, Washington Committee for Democratic Action; member, National Lawyers Guild; candidate for delegate to national convention of National Lawyers Guild; member, Washington Committee for Aid to China.

"Horace Truesdale, also Horace W. Truesdale, 1936 K Street NW. Coordinator, Department of Agriculture. Member, American League for Peace and Democracy; chairman, executive committee, Washington Committee for Aid to China; member-at-large, executive council, Washington Committee for Aid to China; member, Washington Committee for Democratic Action; member, Washington Committee for Aid to China.

"Oscar J. Vago, 4117 North Fourth Street, Arlington, Va. Engineer, Treasury Department. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"D. N. Wheeler, also Donald N. Wheeler, 4118 Third Road, Arlington, Va. Junior economic analyst, Department of Agriculture. Member, American League for Peace and Democracy; member, Washington Committee for Democratic Action; member, Washington Bookshop; and a member of the Washington Committee for Aid to China.

"George Wheeler, also George S. Wheeler, Vienna, Va. Economist, Department of Labor. Member, Washington Bookshop; member-at-large, executive council, Washington Committee for Aid to China; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Ernest Wolfe, also Ernest J. Wolfe, 421 College Avenue, College Park, Md.—1894 Eye Street NW. Social Security Board. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Helen Wood, 1916 G Street NW. Department of Labor. Member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Arthur H. Wyman, 1308 16th Street NW. Analyst, Department of Labor. Member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Sidney Rapke, 3204 Otis Street, Mount Rainier, Md. Clerk, Department of Labor. Member, American League for Peace and Democracy; member, Washington Committee for Aid to China.

"Samuel Koenigsberg, 1380 Fort Stevens Drive NW. Attorney, Securities and Exchange Commission. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member, American League for Peace and Democracy, and a member of the Washington Committee for Aid to China.

"Mrs. Donald Wheeler, also Mary Wheeler, 4118 Third Street, Arlington, Va. Member, Washington Bookshop; member, Washington Committee for Democratic Action; member-at-large, executive council, Washington Committee to Aid China.

"Charles Coe, Washington Committee to Aid China, member-at-large, executive council; leaflet, China Aid News, June 1940.

"Charles J. Coe, member, American Peace Mobilization, signer of call, call to American People's Meeting, New York City, April 5-6, 1941; member, Washington Committee for Democratic Action, 327 Willard Avenue, Friendship Heights, D.C."

EXHIBIT No. 1

STOP { SHIPMENTS TO JAPAN
AIDING AGGRESSION

Does the United States have a Far Eastern policy?
Are we now aiding China or Japan?
How effective are U.S. loans to China?
What should be America's aims in the Far East?

HEAR a lively discussion of these questions by

Owen J. Lattimore, Author of Inner Asian Frontiers of China; Director of the School of International Affairs, Johns Hopkins

Frederick V. Field, Editor of Amerasia; Board of Trustees of the Institute of Pacific Relations; Executive Secretary, American Peace Mobilization

Mortimer Graves, Administrative Secretary, American Council of Learned Societies; Chairman, Washington Committee for Aid to China

Tuesday Eve., February 11, at 8:15 P.M., First Baptist Church, 16th and O Sts., NW.

Admission 25¢

Washington Committee for Aid to China

1410 H St., NW.—REpublic 0865

EXHIBIT No. 2

LATTIMORE, FIELD SPEAK AT MEETING

Before an audience of 300 persons, two outstanding authorities aired quite different views on the war in the Far East. They were in agreement, however, in condemning American foreign policy toward China and in urging the support of the Chinese people.

The two men, Owen J. Lattimore and Frederick V. Field, were the principal speakers at a meeting sponsored by the Washington Committee for Aid to China at the First Baptist Church last month. Dr. Lattimore, director of the School of International Affairs at Johns Hopkins, claimed that this country, although pledged to become the "arsenal of democracy," has, in fact, been the "arsenal of aggression". Despite the lack of assistance from the democracies, China has held her ground amazingly well.

PRINCIPLES OF A NATION-WIDE HEALTH PROGRAM

REPORT OF THE HEALTH PROGRAM CONFERENCE

Will W. Alexander, Chicago
 E. W. Bakke, New Haven
 Solomon F. Bloom, New York
 Ernst P. Boas, M.D., New York
 J. Douglas Brown, Princeton, N.J.
 Allan M. Butler, M.D., Boston
 Hugh Cabot, M.D., Boston
 Dean A. Clark, M.D., Washington
 Michael M. Davis, New York
 I. S. Falk, Washington
 Nathaniel W. Faxon, M.D., Boston
 Channing Frothingham, M.D., Boston
 Frans Goldmann, M.D., New Haven
 Herman A. Gray, New York
 Alan Gregg, M.D., New York
 William Haber, Ann Arbor, Michigan

Basil C. MacLean, M.D., Rochester,
 N.Y.
 Gerald Morgan, Hyde Park, New York
 Frederick D. Mott, M.D., Washington
 George St. J. Perrott, Washington
 John P. Peters, M.D., New Haven
 Kenneth E. Pohlmann, Washington
 Kingsley Roberts, M.D., New York
 Barkev S. Sanders, Washington
 Gertrude Sturges, M.D., Wakefield,
 R.I.
 Florence C. Thorne, Washington
 J. Raymond Walsh, Washington
 C. E. A. Winslow, New Haven
 Edwin E. Witte, Madison, Wisconsin

This report, by its 29 sponsors, is published with the cooperation of the Committee on Research in Medical Economics. Through the committee, arrangements were made for the meetings of the Conference and of subcommittees, in the autumn of 1943 and 1944.

The expenses of the Conference and of this publication were met by gifts contributed for this purpose. The sponsors acknowledge with appreciation the generosity of these donors.

PRINCIPLES OF A NATIONWIDE HEALTH PROGRAM

It is however feasible and desirable to start with broad coverage. The services available will be at least as good in each area as those to which the population of that area has been accustomed. Furthermore, broad coverage would stimulate the improvement of facilities and personnel, and therefore of the quality of care.

A national health program should therefore include, in its coverage, all or most of the population. If the health program is established as part of a general system of social security, this system should include all insured employed and self-employed persons and their families, and indigent and other persons who, because of employment or income status, are not directly eligible to the insurance system.

Among such persons are those who are legally dependent on State or local governments, or who receive federally supported assistance, or who for other reasons are ineligible for social insurance benefits when they require medical care. Such persons should as far as possible obtain medical services from the same sources and under the same conditions as beneficiaries of the insurance system. Payment should be made in behalf of these persons by the local, State, or national agencies responsible for them.

There is at present a tendency for a double system of medical care to develop: (1) a poor-man's system supported by taxation, under welfare departments and other governmental auspices, and restricted to indigent and other needy persons; (2) an insurance system for employed persons and their families, supported by payments from them and sometimes from their employers also.

The second group is potentially very much the larger. Medical efficiency and economy and general social considerations are against a double and in favor of a unified system.

Finances: The chief support of a nationwide system of medical care should be contributory insurance required by law, with the amounts of payment from employees, employers, and self-employed persons, related to the earnings of the contributors, combined with support from general taxation.

It is considered by some that general taxation provides a more flexible and theoretically more desirable method of distributing the costs of medical care among large groups of people and over a period of time. An income tax ear-

marked for medical purposes has been suggested. As a practical program, however, primary use of the contributory principle is recommended for financial and other reasons.

One member wishes to emphasize his belief that the insurance method is for those employed and self-supporting, and the taxation method for those who are not employed and who need assistance.

As stated previously, the insurance principle, applied to medical costs involves the utilization and organization of expenditures to which the people are already accustomed. Furthermore, the contributory principle makes service a right and dissociates it from the onus of charity. If the nationwide health program is associated with the other branches of social security, coverage for the medical services can be made identical with, or broader than, coverage for old-age and survivors insurance, with no additional machinery or expense required.

We agree with the recent statement of the International Labour Office, that medical care should be "provided without qualifying conditions as to payment of contributions or taxes and without means test." Tax-supported medical care, however, is associated with dependency in the minds of most people in this country. The extension of tax-supported medical care would have to proceed gradually for financial and political reasons, and would be likely to proceed from dependent and low-income groups upward, and to be held back at each stage by demands from sections of the public and of the medical profession for an income limit and a means test. Broad coverage can be more effectively maintained through the contributory principle.

THE PHYSICIANS FORUM, INC.,
New York, N.Y., August 27, 1945.

DEAR FRIEND: The Physicians Forum is glad to send you the enclosed copy of a new pamphlet, For the People's Health. This pamphlet, on the all-important issues of the Wagner-Murray-Dingell bill, is one which we believe you will want to read and help to distribute. It tells the facts about the health needs of the American people and how they can best be met.

Enclosed also is a copy of a summary of the provisions of the Wagner-Murray-Dingell bill.

A complete analysis of the health provisions of the Wagner-Murray-Dingell bill will soon be available and may be ordered from this office.

For the People's Health was prepared by Pamphlet Press, a division of Reynal and Hitchcock, and is illustrated by Crockett Johnson, noted artist. You may order small quantities of the pamphlet from this office, free.

An organization may make arrangements to issue For the People's Health with its name and statement on the back cover, in quantities of 5,000 or more.

The Physicians Forum is also prepared to assist you or any organization interested in promoting passage of the Wagner-Murray-Dingell bill by furnishing press releases for local newspapers, recommending speakers for conferences or mass meetings and in other ways. We hope that you will call on us for help.

Sincerely yours,

ERNST P. BOAS, M.D.,
Chairman.

MINUTES OF MEMBERSHIP MEETING AT THE HOTEL LOMBARDY, THURSDAY,
NOVEMBER 15, 1945

Chairman, Dr. Ernst P. Boas

A. A list of new applicants for membership was read and all were unanimously elected. The following States were represented: California, Connecticut, Idaho, Illinois, Massachusetts, Maryland, Missouri, New Jersey, New York, Ohio, Virginia, Washington, D.C., and West Virginia.

B. Treasurer's report: Dr. Sidney M. Greenberg stated that a special grant of \$10,000 had been given to the forum for the promotion of the Wagner-Murray-Dingell bill. It has enabled us to add office staff. The major part of this fund has already been spent. This grant was specifically for work on this legislation and has not been used for general activities.

It is evident from the expanded program of services that the Physicians Forum must have a substantially increased budget. Techniques for raising such a budget have been discussed by the executive committee.

C. Activities report:

I. Pamphlet: For the People's Health: Dr. Boas reported that in addition to the special grant of \$10,000, another grant was given to the forum of \$1,500 which enabled us to print 50,000 copies of the pamphlet, "For the People's Health"—49,000 of these have already been distributed. These pamphlets have been sent to social work agencies, nurses' associations, political action committees, trade unions, women's clubs, schools and universities and to key individuals throughout the country. Many letters of commendation have reached the office about the pamphlet.

The CIO purchased 5,000 copies of the pamphlet, "For the People's Health," and the A.F. of L. purchased 10,000 copies. These carry the imprints of their respective organizations and the pamphlets are being distributed by them as samples to their affiliates.

The Northern California Union Health Committee purchased 5,000 copies with their own imprint. Other large organizations, trade unions, etc., are considering placing similar orders.

To fill the many requests from individuals and agencies unable to place quantity orders as described above, it is of the utmost urgency that we have another edition of this pamphlet. From the correspondence reaching the office daily, it is apparent that great interest has been engendered among groups who had not previously given the subject of national health insurance much thought but who are now eager to acquaint their memberships with the health needs of the American people.

Widespread publicity has been given the pamphlet both through newspapers, bulletins, and publications of other agencies.

II. Speakers' manual: Dr. Harold Aaron, chairman of the speakers' service, has prepared an extensive speakers' manual which contains the fundamental facts on national health insurance, outlines of suggested talks and comparative data on the health insurance systems of other countries. This manual should be of the greatest value in developing more speakers within the forum itself and serve as a guide to teachers and persons in all fields allied to medicine. Many requests for copies of the manual have already reached the office and we hope that within a short time it will be ready for distribution.

III. Speakers' service: Dr. Harold Aaron in reporting on the talks which the forum has given since August, stressed the need for more members to take part in this activity. The burden of filling these requests has fallen on a few members. In addition to 15 speaking engagements ranging from New York to Chicago and south to Maryland, 4 radio programs were arranged over major networks. It was further stated that a significant development was the increase in invitations for speakers on national health insurance from medical schools. It is earnestly hoped that with the aid of the speakers' manual there will be more participation of members in all areas throughout the country.

IV. Conferences: Dr. Boas pointed out that the forum has been meeting with many organizations in an effort to activate their interest in national health insurance. In New York City conferences have been held with representatives of national organizations such as the American Association of Social Workers and with other professional, religious, and labor groups.

The American Association of Social Workers has gone on record actively supporting the Wagner-Murray-Dingell health bill and joint conferences have been arranged with Physicians Forum members as speakers.

V. Comprehensive analysis: It was announced that a comprehensive analysis of the health provisions of the Wagner-Murray-Dingell bill is being prepared. Requests for this have reached the office and it is hoped that the analysis will be ready for distribution within a few weeks.

VI Articles: The November issue of Reader's Scope (circulation 500,000) carried an article by Dr. Ernst P. Boas entitled "America's Greatest Opportunity." The forum received 5,000 reprints of this article which already have been distributed and due to the great demand for copies, we are negotiating with Reader's Scope for an additional 20,000 copies. Many complimentary letters have reached the office regarding this article. It has been reprinted in many publications throughout the country such as the Louisville Courier-Journal, Minnesota Labor, official publication of the CIO State Council of Minnesota. Other organizations have purchased reprints in quantities of 5,000 for distribution to their own membership.

The November issue of the magazine, Tomorrow, carried an article, "The People, the Physician, and the Health of the Nation," by Dr. Ernst P. Boas. A plan for more articles on various aspects of the Nation's health is now under consideration.

The CIO and A.F. of L. have asked for a series of health articles for publication in their newspapers. A special committee was appointed—Dr. Martha Mendell, chairman; Dr. Theodore Sanders and Dr. Albert Parets to plan these articles. They are now in preparation.

Dr. Richardson is preparing an article for the Federationist, official magazine of the A.F. of L. It was stated that one article had already appeared in the June issue of this publication, written by Dr. Miles Atkinson.

Other articles on national health insurance have been written by forum members for the following publications:

The Compass—November issue—official publication of the American Association of Social Workers; prepared by Dr. Martha Mendell and entitled "A Prescription for Health Security."

The Intercollegian, official publication of the National Intercollegiate Christian Council, December issue; prepared by Dr. Theodore M. Sanders and entitled "Who Shall Decide, When Doctors Disagree."

The December issue of the Fraternal Outlook, official publication of the IWO is carrying an article by Dr. Ernst P. Boas.

Another article is being prepared for Notes and News, publication of the Council of Jewish Federations and Welfare Funds.

VII. The problem of the returning veteran-physician: Dr. Greenberg proposed to the membership that the problem of the returning veteran-physician merits action by the forum. This subject has been discussed for many weeks and he offered a resolution containing recommendations for a program to be drafted. The salient features of such a resolution are as follows:

- (a) More rapid demobilization of physicians from the armed services.
- (b) Office space for doctors who wish to resume practice.
- (c) Loans at low interest rates so that physicians will be financially equipped to resume practice.
- (d) Priority to returning veteran-physicians for surplus property of a medical nature.
- (e) Increased opportunities for graduate study for those who are interested (internships, residencies, etc.).

Dr. Greenberg asked that the membership consider these general recommendations. After full discussion by the members present, it was suggested that the problem of registration be included in the list of recommendations. The resolution was approved and the executive committee authorized to proceed along these lines in arranging a program.

VIII. It was announced that Dr. Leo M. Davidoff, attending neurological surgeon at Montefiore Hospital, was elected chairman of the Bronx chapter of the Physicians Forum.

IX. Dr. Boas reported that the forum had been invited to participate in a number of conferences among the National Council of Scientific, Professional, Art, and White Collar Workers who are planning to meet in Washington in January. The steering committee had recommended that this invitation be accepted and that the membership vote its approval. The approval was given.

X. S. 1318: A committee has been studying this bill. Dr. Martha Mendell is preparing a summary of it.

XI. Members of the Bronx chapter brought up for discussion the minimum desirable working standards for physicians under a program of national health insurance. It was suggested that the Bronx chapter work out these recommendations in detail.

XII. Need for an increased budget for expanded activities of the forum: The problem of an expanded annual budget for the forum was discussed. It was stated that the steering committee and the executive committee had approved of the suggestion that a dinner be held which would focus attention on the activities of the forum and enable the organization to raise substantial funds for its expanded activities. The success of such a dinner would necessitate the full participation of all forum members. It would have to be underwritten in advance and sufficient staff engaged to insure its success. After discussion on this subject, it was moved that the executive committee be authorized to undertake such a project.

PRESIDENT TRUMAN'S HEALTH PLAN WOULD INCREASE PRODUCTIVITY, REDUCE DISEASE, SAVE LIVES

WE HAVE READ HIS MESSAGE TO CONGRESS—WE ENDORSE IT

A NATIONAL HEALTH PLAN

We have read and strongly approve President Truman's message proposing a national health program. Many messages have been sent by Presidents "on the state of the Nation," but this is a message on the state of the people of this Nation, the first full-length Presidential message on health ever submitted to Congress.

TO BE ADMINISTERED LOCALLY

We commend this plan for national health insurance to be administered locally, with free choice of doctor and hospitals for the people and professional freedom for physicians. This is a thoroughly American plan, consistent with our tradition of using Government to aid the people in doing things for themselves. We agree with the President that voluntary health insurance will not "meet more than a fraction of our people's needs."

NOT "SOCIALIZED" MEDICINE

We agree also with his statement that: "The American people are the most insurance-minded people in the world. They will not be frightened off from health insurance because opponents have misnamed it 'socialized' medicine."

FEDERAL AID THROUGH STATES

We support his recommendations for Federal aid through the States, for the construction of hospitals, for medical research and education, for the care of the needy, and for the extension of needed preventive, maternal and child health services to every part of the country.

LEGISLATION BY CONGRESS

We would like to see the recommendations of the message promptly carried out by Congress through legislation. This program will increase productivity, reduce disease, and save lives. The income and the professional facilities of the average physician will be improved. The benefits to the health of the American people will far outweigh the costs; in fact, most of the costs are merely the regularization of existing expenditures.

We are glad that many groups, including organized labor, have already approved the principles supported by the President. We sign this endorsement as individuals.

WE URGE CONGRESS TO PROMPT ACTION

SIGNERS OF THE ENDORSEMENT

- Gerard Swope, General Electric Co., New York
- David Sarnoff, president, Radio Corp. of America, New York
- Lessing J. Rosenwald, Sears, Roebuck & Co., Philadelphia
- Bernard Gimbel, president, Gimbel Bros., New York
- James Roosevelt, Los Angeles
- Gardner Cowles, publisher, Des Moines
- Barry Bingham, publisher, Louisville
- Raymond Swing, radio commentator, New York
- Norman Cousins, editor, New York
- Cecil Brown, radio commentator, New York
- Albert D. Lasker, New York
- F. O. Watt, banker, St. Louis
- Guy Emerson, banker, New York
- Anna M. Rosenberg labor public relations consultant, New York
- Mrs. Sidney Borg, New York
- Edwin R. Embree, president, Julius Rosenwald Fund, Chicago
- George C. Hatch, general manager, Intermountain Network, Ogden, Utah
- David Heyman, financier, New York
- Fred M. Stein, banker, New York
- Evans Clark, director, Twentieth Century Fund, New York
- Howard L. Tiger, vice president, the Permutit Co., New York
- Elizabeth S. Magee, National Consumers League, Cleveland
- Ted Patrick, advertising, New York
- Henry L. McCarthy, Council of American Business, Washington
- Sidney Hollander, Baltimore
- Samuel Rubin, president, Faberge, Inc., New York
- W. H. Weintraub, advertising, New York
- William K. Sherwood, president, North American Trade Consultants, New York
- V. Henry Rothschild 2d, attorney, New York
- Morris S. Rosenthal, executive vice president, Stein Hall Co., New York
- Chester Rowell, editor, San Francisco
- Judge Francis E. Rivers, New York
- Frank Jaros, vice president, Compolite, Inc., Brooklyn
- Gerald Morgan, Hyde Park, N.Y.
- Paul L. Ross, formerly regional director, OPA, New York
- Victor Roudin, International Theatrical & Television Corp., New York
- Helen Hall, Henry Street Settlement, New York
- Mayer Parodneck, president, Consumer-Farmer Milk Coop., Inc., New York
- Paul Kellogg, editor, New York
- Percy S. Brown, Good Will Fund, Boston
- William Morris, theatrical agent, New York
- Mady Christians, actress, Connecticut
- Victor Trasoff, artist, New York
- Irving Caesar, author-composer, New York
- John Cromwell, firm director, Beverly Hills, Calif.
- Thomas Craven, art critic, New York
- Agnes Smedley, writer, Saratoga Springs, N.Y.
- Alexi Maleff, composer, Saratoga Springs, N.Y.
- Fiorello H. LaGuardia, mayor, New York City.
- James M. Patton, National Farmers Union, Denver.
- Caroline Dudley Morgan Smith White, Cranbury, N.J.
- Alma Clayburgh, singer, New York.
- Arthur Schnabel, pianist, New York.
- Edward Chodorov, playwright, New York.
- Elliott Nugent, actor, New York.
- Fredric March, actor, New York.
- Rex Stout, writer, New York.
- Carl Van Doren, author, New York.
- Hans Rademacher, educator, Swarthmore College.
- John A. Kingsbury, Woodstock, N.Y.
- Leonard Bernstein, composer and conductor, New York.
- Lee Brudy, actress, New York.
- Leopold Mannes, musician, New York.
- Norman Corwin, writer and producer, New York.
- Dorothy Norman, columnist, New York.
- Thomas Mann, writer, Santa Monica, Calif.
- Morris Llewellyn Cooke, consulting engineer, Washington.
- Adele Rosenwald Levy, New York.
- Wallace Clark, consulting engineer, New York.
- John D. Black, economist, Harvard University.
- Max Radin, professor of law, University of California.
- Charles E. Merriam, political scientist, University of Chicago.
- Bartley Crum, attorney, San Francisco.
- Leo J. Linder, Attorney, New York.
- Martin Popper, National Lawyers Guild, Washington.
- William H. Roever, mathematician, Washington University, St. Louis.
- O. Fayette Taylor, engineer, Massachusetts Institute of Technology.
- Meyer Bernstein, Undersecretary of New York.

WE URGE CONGRESS TO PROMPT ACTION—Continued

SIGNERS OF THE ENDORSEMENT—continued

- Rev. William O. Easton, Council of Christian Education, Philadelphia.
 Robert W. Kenny, attorney general, of Sacramento, Calif.
 Hunter Delatour, president, Brooklyn Bar Association.
 Paul A. Dodd, economist, University of California, Los Angeles.
 Michael M. Davis, medical economist, New York.
 Samuel C. May, political scientist, University of California.
 Stephen P. Duggan, educator, New York.
 Aaron Copland, composer, New York.
 Leonard Erlich, writer, Saratoga Springs, N.Y.
 Roger N. Baldwin, American Civil Liberties Union, New York.
 Neil Lieblich, state war ballot commission, New York.
 Ernest A. Hauser, chemist, Harvard University.
 John Eric Hill, Museum of Natural History, New York.
 F. D. Patterson, president, Tuskegee Institute, Alabama.
 Roswell G. Ham, president, Mount Holyoke College, Mass.
 William O. Dwyer, mayor-elect, New York City.
 Jo Davidson, sculptor, New York.
 John Dewey, educator, New York.
 Vilhjalmur Stefansson, explorer, New York.
 Channing Frothingham, M.D., Boston.
 Alice Hamilton, M.D., Hadlyme, Conn.
 Harry A. Millis, economist, University of Chicago.
 J. Douglas Brown, economist, Princeton University.
 Charles S. Johnson, sociologist, Fisk University, Nashville.
 Edwin E. Witte, economist, Madison, Wis.
 Justice Hubert Delaney, New York.
 Nedwin Smoker, attorney, Detroit.
 Robert S. Lynd, sociologist, Columbia University.
 William F. Ogburn, sociologist, University of Chicago.
 John P. Peters, M.D., New Haven.
 Allan M. Butler, M.D., Boston.
 Ernest P. Boas, M.D., New York.
 R. M. Walls, D.D.S., Bethelhem, Pa.
 John Oppie McCall, D.D.S., New York.
 Thomas G. Addis, M.D., San Francisco.
 Frank Goldmann, M.D., New Haven.
 Mary Dublin Keyserling, Washington.
 Kingsley Roberts, M.D., New York.
 Harold M. Phillips, attorney, New York.
 N. Kobrin, D.D.S., New York.
 Alfred Walker, D.D.S., Miami Beach.
 Marvin C. Harrison, attorney, Cleveland.
 Benjamin Algase, attorney, New York.
 Alfred J. Asgis, D.D.S., New York.
 Rev. Stephen H. Fritchman, Boston.
 Basil G. Bibby, D.D.S., dean, Tufts Dental School, Boston.
 John A. Slade, attorney, Saratoga Springs, N.Y.
 Justice Arthur P. McNulty, New York.
 Abel Wolman, Ph. D., Baltimore.
 Bertram M. Bernheim, M.D., Baltimore.
 C.-E. A. Winslow, Ph. D., New Haven.
 Russell Davenport, author, New Haven.
 Ray Stannard Baker, historian, Amherst, Mass.
 Stuart Chase, author, Connecticut.
 Ulric Bell, writer, New York.
 Robert Ardrey, playwright, California.
 Henry Billings, artist, New York.
 Louis Adamic, writer, New Jersey.
 William Zorach, sculptor, New York.
 Lowell Mellett, columnist, Washington.
 Louis S. Weiss, attorney, New York.
 Louis F. McCabe, attorney, Philadelphia.
 Agnes H. Schroeder, medical social worker, Cleveland.
 Theron Bamberger, theatrical producer, New York.
 Kermit Bloomgarden, producer and manager, New York.
 Hope S. Bagger, teacher-writer, New York.
 Jules J. Justin, public member, War Labor Board, New York.
 Bertha C. Reynolds, social worker, New York.
 Ethel H. Wise, New York.
 Kurt Adler, opera conductor, New York.
 Henry Seidel Canby, literary critic, New York.
 Ilka Chase, writer, New York.
 Mrs. Franklin D. Roosevelt, New York.
 William Rose Benet, editor and writer, New York.
 Ralph Barton Perry, educator, Harvard University.
 Mary K. Simkhovich, Greenwich House, New York.
 Gertrude F. Zimand, National Child Labor Committee, New York.
 Rutli Emerson, medical social worker, Chicago.
 Johannes Steel, radio commentator, New York.
 Ben Grauer, radio announcer, New York.
 Sigmund Spaeth, musician, New York.
 Marc Connelly, playwright, New York.
 Leland Stowe, radio commentator, New York.

WE URGE CONGRESS TO PROMPT ACTION—Continued

SIGNERS OF THE ENDORSEMENT—continued

- | | |
|---|--|
| <p>Quincy Howe, radio commentator, New York.
 William S. Gailmor, radio commentator, New York.
 Barbara N. Armstrong, professor of law, University of California.
 Donald Dushane, educator, Washington.
 Mary McLeod Bethune, president, National Council of Negro Women, Washington.
 Fanny Hurst, writer, New York.
 Charles H. Colvin, engineer, New York.
 Bart J. Bok, astronomer, Harvard University.
 Michael Heidelberger, biochemist, Columbia University.
 Carolyn Slade, novelist, Saratoga Springs, New York.
 Bernard Hart, theatrical producer, New York.
 Harvey Harris, attorney, New York.
 Alex B. Novikoff, biologist, Brooklyn College.
 Magistrate Anna Kross, New York.
 Howard Vermilyea, actor, New York.
 E. H. Greibach, physicist, White Plains, New York.
 Peter Blume, artist, Conn.
 Louis B. Boudin, attorney, New York.
 Phillip Evergood, artist, New York.</p> | <p>Rudolph Ganz, conductor, Chicago.
 Martin Gabel, theatrical producer, New York.
 Oscar K. Rice, educator, University of North Carolina.
 Philip R. White, Rockefeller Institute, Princeton.
 Judge Nathan R. Sobel, New York.
 Robert Chambers, biologist, New York University.
 William Standard, attorney, New York.
 Victor D'Amico, educator, New York.
 Alonzo F. Myers, educator, New York University.
 Carol King, attorney, New York.
 Milton Paulson, attorney, New York.
 Hazel Scott, pianist, New York.
 George Zukor, producer, Hollywood.
 Ordway Tead, educator, New York.
 Kenneth S. M. Davidson, physicist, Stevens Institute of Technology, New Jersey.
 Benjamin E. Youngdahl, dean, School of Social Work, Washington University, St. Louis.
 Herbert E. Phillips, D.D.S., Chicago.
 Struthers Burt, author, California.
 (The advertisement was paid for by signers of this statement.)</p> |
|---|--|

[From the Washington (D.C.) Sunday Star, Jan. 20, 1946]

PHYSICIANS FORUM PLANS OPEN MEETING SATURDAY

The District Chapter of the Physicians Forum will hold a public conference and roundtable panel discussion from 9:30 a.m. to 1 p.m., Saturday, at Pierce Hall, 15th and Harvard Streets NW., it was announced yesterday.

Nelson Cruikshank, director of social insurance activities of the AFL, will discuss "Needs for Health Insurance," and Representative Blemiller, Democrat, of Wisconsin, will discuss "The Bill That Meets Those Needs."

Leading the roundtable discussion will be Dr. Fred Mott of the Farm Security Administration, Agriculture Department; Harry Becker of the Labor Department's Children's Bureau, and Miss Margaret Klem of the Social Security Board. The Reverend Francis McPeek, director of the Department of Social Workers for the Washington Federation of Churches, will be chairman. Dr. Ernest Boas is president of the forum, whose program is to promote passage in Congress of the national health program.

[From the Washington (D.C.) Post, Jan. 20, 1946]

DOCTORS TO HOLD FIRST CONFERENCE ON NATIONAL HEALTH

The District of Columbia Physician's Forum will hold the first in a series of conferences on the national health program at Pierce Hall, 15th and Harvard Streets NW., next Saturday, from 9:30 a.m. to 1 p.m.

Chairman of the first conference will be the Reverend Francis McPeek, director of the Department of Social Welfare, Washington Federation of Churches. Representative Andrew J. Blemiller, Democrat, of Wisconsin, and Nelson Cruikshank, AFL director of social insurance, will discuss President Truman's recommendations for a nationwide health insurance program.

A panel composed of Dr. Fred Mott, of the Farm Security Administration, Harry Becker, Children's Bureau, and Margaret Klem, of the Social Security Board will hold a roundtable discussion following the speeches.

[From the Washington (D.C.) Post, Jan. 27, 1946]

HEALTH PLAN PRESSURE UNIT IS ORGANIZED

A group to sell the District and Congress on compulsory health insurance was formed yesterday at a meeting of the Physicians Forum, District chapter.

Local doctors, labor, and Government representatives, and lay people who endorsed national health legislation signed up as charter members of the unique continuing committee.

"This organization will carry on education work for the national compulsory health program, act on specific legislative matters as they arise, and pressure Congress," Dr. Anna Rand, forum and committee chairman, declared.

Elected to the group's steering committee were Dr. Dorothy Ferebee, Dr. Irving Winik, Dr. Rand, the Reverend Francis McPeck, director, department of social welfare, Washington Federation of Churches; Benjamin Asia, National Lawyers Guild, District chapter; and Miss Margaret Stein, medical economist.

Charging that the American Medical Association was blocking the Wagner-Murray-Dingell compulsory health insurance legislation, Representative Andrew J. Biemiller, Democrat, of Wisconsin, urged proponents of the bill to step up their propaganda to counteract the steady flow of AMA-sponsored literature reaching Congressmen.

Biemiller said the President's health program was "not a good example of communism, but an accepted American principle. Workers are insured against old age, unemployment, and industrial accidents. Protection against illness is the next step."

[From the Washington (D.C.) Post, Mar. 8, 1946]

HEALTH PLAN TO COVER EVERYONE IN NATION URGED BY DR. PARRAN

Calling for a national health program "accessible to everyone regardless of his ability to pay," Surgeon General Thomas Parran of the Public Health Service, last night said he believed it could not be done on a voluntary basis.

Pointing out that at present about 40 percent of the people in counties throughout the country cannot avail themselves of modern medical facilities, Dr. Parran predicted increasing Federal concern in the matter of health.

Already, he said, the PHS had broad authority to act as a national scientific foundation which enabled the Government to enter into the field of medical research.

Declaring that "prepayment of medical costs is important," Dr. Parran said he believed a method of spreading costs of medical care should be found.

About 10 years ago, Dr. Parran said, the American Medical Association was against a national health program either, compulsory or voluntary. Now, he said, the AMA has declared itself in favor of a voluntary program.

His remarks were made to about 200 who attended a meeting in the Archives Building auditorium sponsored by the District chapter of the National Lawyers Guild.

Dr. Isadore Falk, Director of the Bureau of Research and Statistics, Social Security Board, and Robert K. Lamb, legislative representative, United Steelworkers of America (CIO) also addressed the meeting.

[From the Washington (D.C.) Star, June 25, 1946]

LAWYERS TO HONOR PEPPER FOR PROMOTING U.N. IDEALS

(By the Associated Press)

The National Lawyers Guild will present an award to Senator Pepper, Democrat, of Florida, at its seventh convention opening in Cleveland July 4.

The guild has adjudged Senator Pepper "the lawyer in the United States who, since the death of President Roosevelt, has most effectively represented and carried forward the legal traditions of President Roosevelt embodied in the United Nations and the economic bill of rights."

COMMITTEE FOR THE NATION'S HEALTH,
New York, N.Y., April 12, 1946.

Senator FORREST C. DONNELL,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: We should like to acquaint you with the Committee for the Nation's Health, established to promote a comprehensive health program. The physicians and laymen who joined in organizing this committee are convinced that the urgent unmet medical needs of the people of this country must be met by a national health insurance system, supplemented by payments from general revenues. We believe that there should be decentralized administration of services, free choice of doctors by patients, and professional freedom for physicians.

The enclosed endorsement of the President's health program was prepared and published last December. Its signers have since formed themselves into this committee.

The committee endorses the Wagner-Murray-Dingell bill (S. 1606) as incorporating most of the essential features of this proposal.

We shall be glad to furnish more information if desired about the committee and the health program.

Very truly yours,

CHANNING FROTHINGHAM, M.D.,
Chairman.
MICHAEL M. DAVIS,
Chairman, Executive Committee.

The list is as follows:

John Corson
Annie W. Goodrich, R.N.
James Roosevelt
Lessing J. Rosenwald
Abe Fortas
Thomas Mann
William Rose Benet
Robert W. Kenny
Barry Bingham
Raymond Swing
Norman Cousins
George Zukor
Bernard Gimbel
Cecil Brown
Albert D. Lasker
Mary W. Lasker
Guy Emerson
John A. Kingsbury
James M. Patton
Anna M. Rosenberg
Mrs. Sidney Borg
Edwin R. Embree
David Heyman
Victor Trasoff
Ralph Barton Perry
Fred M. Stejneger
Evans Clark
Elizabeth S. Magee
William H. Roever
Rev. W. O. Easton
George O. Hatch
Henry L. McCarthy
Sidney Hollander
Saumel Rubin
W. H. Weintraub
Leonard Erlich
Chester Rowell
William K. Sharwood
V. Henry Rothschild
Morris S. Rosenthal
Frank Jaros
Ulric Bell

Paul A. Dodd
Judge Francis E. Rivers
Gerald Morgan
Paul L. Ross
Victor Roudin
Miles Atkinson, M.D.
R. M. Wales, D.D.S.
Helen Hall
Paul Kellogg
Percy S. Brown
Vilhjalmur Stefansson
John A. Slade
Ray Stannard Baker
Meyer Parodneck
Irving Caesar
John Cromwell
Caroline Slade
Louis Adamic
Norman Corwin
Agnes Smedley
Alexi Mateff
Alma Clayburgh
Rex Stout
Rev. G. Richard Kuch
Caroline Dudley Morgan Smith White
Arthur Schnabel
Edward Chodorov
Quincy Howe
E. H. Grelbach
Alonzo F. Myers
Carl Van Doren
Hans Rademacher
Dorothy Norman
Morris Llewellyn Cooke
Wallace Clark
John D. Black
Rudolph Ganz
Leonard Bernstein
Leopold Mannes
Charles B. Merriam
Max Radin
Leo J. Linder

Martin Fopper
 Stuart Chase
 C. Fayette Taylor
 Meyer Bernstein
 Carol King
 Hunter Delatour
 Michael M. Davis
 Stephan P. Duggan
 Samuel C. May
 Roger N. Baldwin
 Neil Lieblich
 Ernest A. Hauser
 John Eric Hill
 F. D. Patterson
 Alice Hamilton, M.D.
 Harry A. Millis
 J. Douglas Brown
 Charles S. Johnson
 Edwin E. Witte
 Nedwin Smokler
 Robert S. Lynd
 Kurt Adler
 Justice Hubert Delaney
 William F. Ogburn
 John P. Peters, M.D.
 Allan M. Butler, M.D.
 Ernest P. Boas, M.D.
 Henry Billings
 John Oppie McCall, D.D.S.
 Thomas G. Addis, M.D.
 Frank Goldmann, M.D.
 Kingsley Roberts, M.D.
 Mary Dublin Keyserling
 Harold M. Phillips
 N. Kobrin, D.D.S.
 Alfred Walker, D.D.S.
 Marvin C. Harrison
 Benjamin Algate
 Alfred J. Asgis, D.D.S.
 Lowell Mellett
 Justice Arthur P. McNulty

Bertram M. Bernheim, M.D.
 C. E. A. Winslow, Dr. P.H.
 Louis S. Weiss
 Louis F. McCabe
 Agnes H. Schroeder
 Herbert E. Phillips, D.D.S.
 Theron Bamberger
 Hope S. Bagger
 Jules J. Justin
 Ethel H. Wise
 Mary K. Simkhovitch
 Ruth Emerson
 Gertrude F. Zimand
 Johannes Steel
 Ben Grauer
 Sigmund Spaeth
 William S. Gailmor
 Charles H. Colvin
 Mary McLeod Bethune
 Fanny Hurst
 Bart J. Bok
 Anna M. Kross
 Bernard Hart
 Harvey Harris
 Alex B. Novikoff
 Martin Gabel
 Peter Blume
 Philip Evergood
 Nathan R. Sobel
 Oscar K. Rice
 Phillip R. White
 Robert Chambers
 William Standard
 Benjamin E. Youngdahl
 Orson Welles
 Ordway Tead
 Milton Paulson
 Eliot Janeway
 Herman A. Gray
 Matthew Woll
 Wesley Sharer

[From the Washington (D.C.) Evening Star, June 7, 1946]

WAR DOCTORS' WORRIES DISCUSSED AT MEETING OF PHYSICIANS' FORUM

Lack of residences, adequate training, and availability of surplus equipment were called the chief problems facing doctors returning from service with the Armed Forces at a discussion meeting last night of the Washington chapter of the Physicians' Forum.

Dr. E. Richard Weirnerman, veteran of a mobile surgical unit with the 3d Army and chairman of the health subcommittee of the American Veterans' Committee, said that most doctors still in service are worried about the same things.

"The younger men are looking for residency appointments in hospitals and refresher training," he said, "and the larger groups—the older doctors, are worried about rebuilding their old practices, getting surplus equipment, and obtaining housing and office space."

PROGRAMS INADEQUATE

"The hospital appointments we wanted weren't waiting for us, and the retraining programs aren't adequate," he said. Charging that "large amounts of surplus materials that could be put to good use" have not been made available, he called on groups of the profession and Federal agencies to "sit down and take stock of the needs and opportunities, and then act on them."

Concerted action to aid the veterans also was recommended by Dr. Palmer Dearing, Assistant Chief of Personnel of the U.S. Public Health Service. He also cited the "desperate need" of making service by doctors attractive in poorer areas of the country, "where opportunity for many younger physicians is being lost."

Speaking of increased group practice, Dr. Dearing said citizens in some areas have banded together to guarantee income for doctors "One issue that should be decided is whether the drive toward specialization is really to the best interest, or whether it should be routed along group lines," he said. He also pointed to the "increased interest" by labor in health measures, citing the United Automobile Workers' Health Institute at Detroit, a diagnostic and health education center for workers.

"Public health programs in education and opportunities in research and other special fields are being expanded." Dr. Dearing declared, but he said one field of education—school health programs, "has hardly been touched."

Dr. Milton I. Roemer, member of the Public Health Service and nominee for the National Council of the Physicians' Forum, said, however, that "the main problem to be faced now is one of the economic side of the profession." Advocating passage of such legislation as the Wagner-Murray-Dingell bill to provide compulsory health insurance, Dr. Roemer said the "measures would be much to the best interests of the doctors. The National Health Act would neither put doctors on a salary or on an 8-hour day," he said, "and it wouldn't interfere with their right of private practice." He estimated that the average income of all doctors under the program would be \$9,000 a year.

The bill calls for a 3-percent payroll deduction, half to be paid by the employee and half by the employer, with small amounts from Federal revenues to finance the program. "Of interest to young physicians," Dr. Roemer said, "is the plan that 2 percent of the funds collected would be used for subsidizing medical education and research activities."

SEE FEW ABUSING PRIVILEGE

He estimated that less than 5 percent of the doctors' time under the program would be taken up by persons abusing the privilege of free care. Offsetting all arguments against the plan, according to the speaker, would be the "large numbers of Americans who would have care available for the first time."

"Far more illness and death occurs from patients not seeing doctors often enough, or soon enough, than from those who see doctors too much," he asserted.

The forum, presided over by Dr. Anna Rand, chapter chairman, was held at the YMOA, 17th and K Streets NW.

[From the Washington (D.C.) Post, Sept. 12, 1946]

TWO GROUPS SELECTED TO LAUNCH 5-YEAR HOSPITAL PROGRAM

(By the Associated Press)

Two key groups were named yesterday to help launch the Nation's 5-year \$1,125 million construction program of hospitals and health centers.

Federal Security Administrator Watson Miller announced the appointments under the recently enacted Hill-Burton Hospital Act, and said they would hold their initial meetings here next Tuesday and Wednesday. The groups are:

1. The Federal Hospital Council, composed of four leaders in health and hospital fields, four representatives of consumers of hospital services, and Surgeon General Thomas Parran of the Public Health Service as chairman.

2. A general Advisory Committee, in which 25 persons have been invited, with additional representation planned later.

SURVEY FUNDS SET UP

The Council has administrative functions including approval of general regulations. The Committee will be a consulting agency. Their first meeting will concern preliminary phases of the program, officials said.

The new Hospital Act sets up \$2,350,000 to conduct surveys and planning for health facilities within the States. Congress also authorized but has not

yet appropriated \$75 million annually for 5 years for actual construction. The building funds must be matched by State or local agencies on a \$2 for \$1 basis.

Mr. Miller said the hospital construction program was important in the President's national health program.

"For the first time we are embarked upon a national policy of planning and constructing hospitals and health centers to meet the health needs of all the people," he said. "For the first time we are creating new institutes, not on a sporadic unplanned basis but on the basis of a large-range, carefully thought-out program."

PERSONNEL OF COUNCIL

The four members representing hospital and health fields on the Council are: Dr. Albert W. Dent, president of Dillard University, New Orleans; Msgr. John J. Bingham, director of the division of health, Catholic Charities, New York; Graham Davis, director of hospitals, Kellogg Foundation, Battle Creek, Mich.; Dr. Robin O. Buerki, dean of the Graduate School of Medicine, University of Pennsylvania.

Representing consumers on the Council are Dr. Michael M. Davis, Committee for the Nation's Health, New York; J. Melville Broughton, attorney, Raleigh, N.C.; Mrs. Evelyn Hicks, radio station WTNB, Birmingham, and Clinton S. Golden, United Steelworkers of America, Pittsburgh.

Four Washingtonians are on the Advisory Committee which includes leaders in the fields of social service, medicine, public welfare, and business. They are Nelson Cruikshank, American Federation of Labor; Msgr. John O'Grady, National Conference of Catholic Charities; Miss Elizabeth Christman, National Women's Trade Union League of America; and Mrs. Agnes Meyer, wife of the Director of the International Bank.

[This is the report exposed by Senator Donnell in Congressional Record of July 28 and 24, 1946. See my July 23 release, 1947].

[Senate—Subcommittee Report No. 5]

HEALTH INSURANCE

Interim report from the Subcommittee on Health and Education to the Committee on Education and Labor, U.S. Senate, pursuant to Senate Resolution 62

(Extending S. Res. 74, 78th Congress)

A RESOLUTION AUTHORIZING AN INVESTIGATION OF THE DISTRIBUTION AND UTILIZATION OF HEALTH PERSONNEL, FACILITIES, AND RELATED SERVICES

July 1946—Printed for the use of the Committee on Education and Labor

After careful study of existing voluntary plans, it is evident to us that none of them meets all of these requirements. Neither does it appear probable that any voluntary plan can be devised which will fulfill them.

The voluntary plans have served and are serving a valuable purpose, even though they do not provide any final answer to the problem of prepaid medical care for all the people. They have developed useful data on the prepayment of medical costs, and have educated large sections of the public on the value of medical care insurance. Furthermore, they have trained sizable numbers of medical and administrative personnel in the techniques of prepaid medical care. There is no reason why such plans should not continue to perform useful functions within the framework of a national health insurance system.

However, to cover everyone, the adverse as well as the good risks, the young and the old, the sick and the well, the rural and the city dwellers, the low- and the high-income groups, the poor and the rich areas, all this takes a mechanism as representative and all-inclusive as a national health program, built around a system of prepaid medical care. It must be financed by required contributions to the social security fund and by payments from general tax revenues. Such a program will satisfy all the requirements set forth above, and will make possible the achievement in the foreseeable future of our goal of high quality health care for all.

The cost will not be greater than that of our present inefficient and wasteful fee-for-service system. According to leading experts the charge to the average family under a national health insurance program will actually be less than it pays now, partly because the employer and the Government will both contribute to the fund. It is noteworthy that the labor organizations, all of whose members are wage earners, are among the staunchest supporters of national health insurance.

Health insurance is often erroneously called socialized medicine or state medicine. As President Truman pointed out in his health message, such a system is one in which the doctors are employed by the Government. We do not advocate this. National health insurance, which we do advocate, is simply a logical extension of private group health insurance plans to cover all the people. It is a joint national endeavor. It will guarantee free choice of doctor or group of doctors and free choice of hospital by the patient, and free choice of patient by the doctor. Indeed, free choice will be extended, because current financial barriers to the actual exercise of free choice will be broken down.

Some aspects of a national health insurance program are, of course, experimental. No legislative framework or administrative plan can be perfect at first. Shortcomings will undoubtedly be uncovered, but they will be overcome as we learn from experience. None of these shortcomings, however, will be anywhere near as costly as the toll of lives and health now being exacted by our failure to have a national health program providing good medical care for all. The need for it is urgent.

The concern of the Federal Government in this matter is clear.

[From the Worker, May 25, 1947]

[Advertisement]

AT LAST—HERE'S A BILL FOR YOU!

The national health insurance and public health bill (S. 1320) was introduced in the 80th Congress on May 20 by Senators James E. Murray of Montana, Robert F. Wagner of New York, Claude Pepper of Florida, Glen H. Taylor of Idaho, Dennis Chavez of New Mexico and J. Howard McGrath of Rhode Island and Representative John D. Dingell, Democrat, of Michigan. This new bill maintains all the essential principles of national health insurance as expressed in its predecessor, S. 1606, known as the National Health Act of 1945-46, but presents such changes as conform to constructive criticism and suggestions offered to correct the weaknesses in S. 1606.

SUMMARY OF MAIN CHANGES FROM THE 1945-46 BILL

Decentralization of administration.—The new bill calls for local administration under statewide plans. Each State will receive its allocation of money from the national fund and would, in turn, distribute the moneys to local areas. Thus, Federal officers would not determine the sums received by States or local areas, although health standards would be national.

Federal board.—Federal administration would be under a five-member board on full-time salary and established as part of the Federal Security Administration. Three Board members are to be appointed by the President, the other two being ex officio; the Surgeon General of the U.S. Public Health Service and the Commissioner for Social Security. (This provision eliminates the possibility of one-man rule for which S. 1606 was criticized.)

Voluntary health plans.—Although S. 1606 in principle recognized voluntary health plans, in the new bill the policy is stated fully and explicitly that voluntary health plans will be recognized in the various applications of the health insurance provisions of the bill.

Persons covered.—Civilian Federal employees and their dependents who were not provided for in previous bills are now covered in the new bill. Employees of State and local governments, and their dependents, may also be covered by voluntary action, as well as needy persons.

Other changes.—Among other changes are special provisions for rural areas; explicit and expanded guarantees of professional rights to doctors, dentists and hospitals; removal of ceilings on per diem payments to hospitals—and numerous

other changes based upon criticisms and suggestions expressed at hearings on 1945-46 bill.

WHY WE SUPPORT THIS BILL

The health insurance bill, along with the above changes, generally retains the provisions contained in the Wagner-Murray-Dingell National Health Act of 1945-46.

The International Workers Order, since it was organized in 1930, has been in the fight for adequate social security and health legislation. When Senator Wagner started his uncompromising struggle for a national health act 10 years ago, we supported his proposals. We participated in the 1938 National Health Conference. We endorsed and supported the Wagner-Murray-Dingell social security and health bills of 1945 and 1946. We endorse the 1947 National Health Insurance and Public Health Act. Our order and its 14 societies and our entire membership in 1,300 lodges are swinging into action in support of the new bill.

We support this measure because it is the best plan, the only genuine prepaid medical care system on a national scale which has been proposed on behalf of the American people. The need for such a national health insurance system is greater today than it ever was in the past. The fight for this bill represents a positive opportunity to the trade unions, to the progressive organizations of the people, and to the alert and forward-looking communities, to rally the whole American people in support of a measure which means better health, a richer life and greater social security for all.

One thing is certain—we, the American people, cannot afford to permit the Republicans and reactionary Democrats to foist upon us the Taft "health" bill which is a shame and a mockery in terms of meeting the health needs of the Nation. The Taft bill is nothing less than a charity measure. It must not pass.

INTERNATIONAL WORKERS ORDER

General Office—80 Fifth Avenue, New York, N.Y.

[Detach and mail]

INTERNATIONAL WORKERS ORDER,
Department 5-25 W,
80 Fifth Avenue,
New York, N.Y.

I am interested in the National Name _____
Health Insurance and Public Health Address _____
Act of 1947. Send me more information City _____ Zone _____ State _____
about it.

[Committee print]

INTERIM REPORT ON HEARINGS REGARDING COMMUNIST ESPIONAGE IN THE UNITED STATES GOVERNMENT

INVESTIGATION OF UN-AMERICAN ACTIVITIES IN THE UNITED STATES

Committee on Un-American Activities, House of Representatives, 80th Cong., 2d
Sess., August 28, 1948

SILVERMASTER GROUP

Nathan Gregory Silvermaster, Director of Labor Division, Farm Security Administration; detailed at one time to Board of Economic Warfare.

Solomon Adler, Treasury Department; agent in China.

Norman Bursler, Department of Justice.

Frank Coe, Assistant Director, Division of Monetary Research, Treasury; special assistant to United States Ambassador in London; assistant to the Executive Director, Board of Economic Warfare and successor agencies; Assistant Administrator, Foreign Economic Administration.

Lauchlin Currie, administrative assistant to the President; Deputy Administrator of Foreign Economic Administration.

Bela Gold (known to Miss Bentley as William Gold), assistant head of Division of Program Surveys, Bureau of Agricultural Economics, Agriculture Department; Senate Subcommittee on War Mobilization; Office of Economic Programs in Foreign Economic Administration.

Mrs. Bela (Sonia) Gold, research assistant, House Select Committee on Interstate Migration; labor-market analyst, Bureau of Employment Security; Division of Monetary Research, Treasury.

Abraham George Silverman, director, Bureau of Research and Information Services, United States Railroad Retirement Board; economic adviser and chief of analysis and plans, Assistant Chief of Air Staff, Materiel and Services, Air Forces.

William Taylor, Treasury Department.

William Ludwig Ullman, Division of Monetary Research, Treasury; Materiel and Service Division, Air Corps Headquarters, Pentagon.

PERLO GROUP

Victor Perlo, head of branch in Research Section, Office of Price Administration; War Production Board; Monetary Research, Treasury.

Edward J. Fitzgerald, War Production Board.

Harold Glasser, Treasury Department; loaned to Government of Ecuador; loaned to War Production Board; adviser on North African Affairs Committee in Algiers, North Africa.

Charles Kramer (Krevitsky), National Labor Relations Board; Office of Price Administration; economist with Senate Subcommittee on War Mobilization.

Solomon Leshinsky, United Nations Relief and Rehabilitation Administration.

Harry Magdoff, Statistical Division of War Production Board and Office of Emergency Management; Bureau of Research and Statistics, WPB; Tools Division, WPB; Bureau of Foreign and Domestic Commerce.

Allan Rosenberg, Foreign Economic Administration.

Donald Niven Wheeler, Office of Strategic Services.

Miss Bentley also testified that Irving Kaplan, an employee of the War Production Board at the time, was associated with both groups, paying dues to the Perlo group and submitting information to the Silvermaster group. She identified the late Harry Dexter White, then Assistant Secretary of the Treasury, as another individual who cooperated with the Silvermaster group.

UNATTACHED INDIVIDUALS

Miss Bentley further testified that there were certain individuals employed in the Government who cooperated in obtaining information from the files of the Government for the use of Russian agents but who were not actually attached to either the Silvermaster or Perlo groups. These individuals, as named by Miss Bentley, and the governmental agency with which they were employed during the period concerned in the testimony, are as follows:

Michael Greenberg, Board of Economic Warfare; Foreign Economic Administration; specialist on China.

Joseph Gregg, Coordinator of Inter-American Affairs, assistant in Research Division.

Maurice Halperin, Office of Strategic Services; head of Latin American Division in the Research and Analysis Branch; head of Latin American research and analysis, State Department.

J. Julius Joseph, Office of Strategic Services, Japanese Division.

Duncan Chaplin Lee, Office of Strategic Services, legal adviser to Gen. William J. Donovan.

Robert T. Miller, head of political research, Coordinator of Inter-American Affairs; member, Information Service Committee, Near Eastern Affairs, State Department; Assistant Chief, Division of Research and Publications, State Department.

William Z. Park, Coordinator of Inter-American Affairs.

Bernard Redmont, Coordinator of Inter-American Affairs.

Helen Henney, Office of Strategic Services, Spanish Division.

William Remington of the Department of Commerce was mentioned by Miss Bentley before the Senate investigation committee as having been associated with this group.

WARE-ABT-WITT GROUP

On August 3, the committee heard the testimony of Whittaker Chambers. He testified regarding an underground apparatus which was set up by the Communist Party in the early thirties for the purpose of infiltrating the Federal Government. The members of this group, according to Mr. Chambers, and

their governmental employment during the period concerned in the testimony, are as follows:

Harold Ware (deceased): Department of Agriculture.
 John J. Abt, Department of Agriculture; Works Progress Administration;
 Senate Committee on Education and Labor; Justice Department.
 Nathan Witt, Department of Agriculture; National Labor Relations Board.
 Lee Pressman, Department of Agriculture; Works Progress Administration.
 Alger Hiss, Department of Agriculture; Special Senate Committee Investigating the Munitions Industry; Justice Department; State Department.
 Donald Hiss, State Department; Labor Department.
 Henry H. Collins, National Recovery Administration; Department of Agriculture.
 Charles Kramer (Krevitsky), National Labor Relations Board; Office of Price Administration; Senate Subcommittee on War Mobilization.
 Victor Perlo, Office of Price Administration; War Production Board, Treasury Department.

SUMMARY OF WITNESSES AND TESTIMONY

Testimony regarding Communist espionage activities within the Government involving approximately 40 individuals was given before the committee by Elizabeth Terrill Bentley, Whittaker Chambers, and Louis F. Budenz, admitted former functionaries of the Communist Party.

Mr. Chambers was formerly editor of the (Communist) Daily Worker and of the New Masses. He is now a senior editor of Time magazine. Mr. Budenz was formerly managing editor of the (Communist) Daily Worker. He is now a professor at Fordham University.

Miss Bentley, according to her own testimony which has been verified by Mr. Budenz, was formerly active in Communist underground activity. The committee is in possession of supporting evidence to establish these previous Communist affiliations.

Of these 40-odd individuals named, Lauchlin Currie, Harry D. White (deceased), Bela Gold, Sonia Gold, Frank Coe, Alger Hiss, Donald Hiss, appeared before the committee at their own request and categorically denied the accusations made by Miss Bentley and Mr. Chambers.

Henry H. Collins, Victor Perlo, Abraham George Silverman, William Ludwig Ullmann, Nathan Gregory Silvermaster, John Abt, Lee Pressman, Nathan Witt, Duncan Chaplin Lee, Robert T. Miller, and Charles Kramer appeared in response to subpoenas. Alexander Koral, who was allegedly involved in these activities, was also subpoenaed. J. Peters, alleged head of the Communist underground in this country, will be served with a subpoena on August 30.

Norman Bursler, Allan Rosenberg, Solomon Adler, Solomon Leshinsky, Mary Price, Donald Niven Wheeler, Edward J. Fitzgerald, Harold Glasser, Joseph Gregg, Rose Gregg, Irving Kaplan, and certain Russian contacts known only as Frank, Al, and Jack, have not appeared before the committee. Harold M. Ware is deceased as is also Jacob N. Golos.

Ten witnesses (Alexander Koral, Henry H. Collins, Victor Perlo, Abraham George Silverman, Nathan Gregory Silvermaster, William Ludwig Ullmann, John Abt, Lee Pressman, Nathan Witt, and Charles Kramer) refused to affirm or deny membership in the Communist Party on the ground of self-incrimination. These 10 witnesses on the same grounds, also refused to affirm or deny contacts with 1 or more of the 40 individuals allegedly involved in espionage or with Elizabeth Terrill Bentley or Whittaker Chambers.

Nine of these witnesses (Alexander Koral, Victor Perlo, Abraham George Silverman, Nathan Gregory Silvermaster, William Ludwig Ullmann, John Abt, Lee Pressman, Nathan Witt, and Charles Kramer) refused to affirm or deny charges made against them by Elizabeth Terrill Bentley or Whittaker Chambers.

No charge of Communist Party affiliation was made against either Lauchlin Currie or Harry Dexter White. Both denied such affiliation. However, both admitted acquaintance with various members of the espionage group named by Elizabeth Bentley and Whittaker Chambers.

The following persons who were charged with being Communist Party members denied such affiliation: Bela Gold, Sonia Gold, Duncan Chaplin Lee, Alger Hiss, Donald Hiss, Robert T. Miller, and Frank Coe. They all admitted, however, associations and acquaintance with various members of the espionage groups named. Alger Hiss, after previous denials, admitted knowing Whittaker Chambers as George Crosley. Duncan Chaplin Lee and Robert T. Miller admitted knowing Miss Bentley, the former acknowledging also acquaintance with Jacob Golos, Miss Bentley's superior, now deceased.

WHY THESE HEARINGS WERE DEFERRED UNTIL JULY

The committee would like to make it emphatically clear why we undertook public hearings on espionage activities within the Government at this time. In February of 1947, the committee's investigations determined that certain Government employees had engaged in espionage activities. We knew that certain divisions of the Government were under rigid surveillance by the FBI. The committee later became aware of the fact that a secret blue ribbon grand jury had been convened in New York City to consider this Government espionage.

COMMITTEE FOR THE NATION'S HEALTH, INC.,
Washington, D.C., June 27, 1952.

FRIENDS: Enclosed is a sheet of "platform planks" on health, stating national policies which we believe should be incorporated into the platforms of both political parties. Attached to the "planks" are lists of the Democratic and Republican platform committees which have been appointed in advance of the respective party conventions and which are already engaged in preliminary work. We hope that you will bring these health planks to the favorable attention of the platform committees, convention delegates, and candidates for office. Personal letters to one or more committee members are effective, from you or from any organization with which you are connected.

Four pages of "supporting material" are also enclosed, explaining each of the health planks, with the aim of assisting those who will write or talk about these issues.

Please let us know if you want some additional copies of the "planks" or the supporting material.

Sincerely yours,

MICHAEL M. DAVIS,
Chairman, Executive Committee.

OFFICERS OF THE COMMITTEE FOR THE NATION'S HEALTH, INC., 1946-52

1946

Chairman: Channing Frothingham,
M.D.

Honorary vice chairman:
Jonathan Daniels
Russell Davenport
Jo Davidson
William Green

Bishop Francis J. McConnell
Bishop G. Bromley Oxnam
Mrs. F. D. Roosevelt
David Sarnoff
Gerard Swope

1947

Chairman: Same

Honorary vice chairman:
Jonathan Daniels
Jo Davidson
Fiorenzo La Guardia
Mrs. F. D. Roosevelt
Bishop Francis J. McConnell
William Green
Philip Murray
Bishop G. Bromley Oxnam
David Sarnoff
Gerard Swope

Barry Bingham
Ernst P. Beas, M.D.
Morris L. Cooke
John J. Corson
Mrs. Gardner Cowles
M. M. Davis
Albert W. Dent
Abe Fortas
Clinton Golden
Mary D. Keyserling
Carl C. Lang
Mrs. A. D. Lasker
John V. Lawrence, M.D.
Dorothy Newman
Anna M. Rosenberg
V. H. Rothschild 2d
R. M. Walls, D.D.S.
Matthew Well

Treasurer: Carl C. Lang

Secretary: V. Henry Rothschild 2d

Chairman executive committee: M. M. Davis

Executive director: Joseph H. Louchheim

Board of directors:

C. Frothingham, M.D.
Thomas Addis, M.D.

Washington representative: Margaret I. Stein

1949

Chairman: Same

Honorary vice chairmen:
Gov. Chester Bowles
R. Davenport
William Green
F. J. McConnell
Philip Murray

Bishop G. B. Oxnam
Mrs. F. D. Roosevelt
Gerard Swope
Walter Wahger

Treasurer: John J. Corson

Secretary: H. V. Rothschild 2d

Chairman executive committee: M. M. Davis

UNITED STATES CONGRESS

REPRESENTATIVES

Biemiller Dingell

SENATORS

Thomas (Utah) Chavez
Wagner Taylor
Murray McGrath
Pepper Humphrey

CONGRESSIONAL COMMITTEES

HOUSE WAYS AND MEANS COMMITTEE

Dingell

HOUSE INTERSTATE AND FOREIGN COMMERCE

Biemiller

SENATE FINANCE

McGrath

SENATE LABOR AND PUBLIC WELFARE

Thomas (Utah) Pepper
Murray Humphrey

On professional staff of Committee: William Gerard Reidy, registered as \$6,500 lobbyist in employ of Michael M. Davis' COMMITTEE FOR THE NATION'S HEALTH in 1948. Peggy Stein, Washington representative of CNH has use of Reidy's office and telephone in Senator Murray's name.

COMMUNIST AND COMMUNIST-FRONT ORGANIZATIONS WITH WHICH LOBBIES AND MEMBERS OF CONGRESS COLLABORATE

INTERNATIONAL WORKERS ORDER

This group claims "The Communists are concerned with creating a revolution" and that the IWO "is an organization that allows Communist leadership to drive its roots into the uncharted depths of the American working masses." The IWO is to establish "Working Class Rule in the place of the existing class rule."

ADMINISTRATION PLANS FOR NATIONALIZATION OF MEDICINE

Emanating from

THE HOUSE OF FALK AND DAVIS

ARTHUR J. ALTMAYER

U. S. Member on Commissions of Economic and Social Council of U. S. Mission to United Nations
Member of ILO Committee of Social Security Experts

GOVERNMENT AND NON GOVERNMENT LOBBYING GROUPS

COMMITTEE FOR THE NATION'S HEALTH

Channing Frothingham, M.D., Chairman
* Michael M. Davis, Chrm. Exec. Com.
Franz Goldmann, M.D.
* Ernst P. Boas, M.D.
Allan M. Butler, M.D.
* John P. Peters, M.D.
* Morris Llewellyn Cooke
* Mrs. Leon (Mary Dublin) Keyserling
Albert D. Lasker
Mrs. Albert D. (Mary W.) Lasker
* Anna M. Rosenberg
Lessing J. Rosenwald
* Edwin R. Embree, Pres. Rosenwald Fund
John Corson)
Lowell Mellett) Washington Post
Quincy Howe) * Abe Fortas
* Norman Corwin) * Edward Chodorov
* Jo Davidson) * Max Radin
* Louis Adamic) * Alfred J. Aegis
* Martin Popper) * Sigmund Spaeth
* George Soule) * Meyer Parodneck
* Cited by House Un-American Activities Committee for subversive activities and Communist-front connections.

COMMITTEE ON RESEARCH IN MEDICAL ECONOMICS

Michael M. DAVIS, Ph.D., Chrm.
George Soule Walton H. Hamilton

THE PHYSICIANS FORUM, INC.

Ernst P. BOAS, M.D., Chairman
Channing Frothingham, M.D.
Sidney Greenberg, M.D.
Allan M. Butler, M.D.
Franz Goldmann, M.D.
Milton I. Roemer, M.D., U.S.P.H.S.

COMMITTEE OF PHYSICIANS FOR THE

The Washington Post
John J. Corson
Circulation
Manager

WILBUR J. COHEN
Adviser to Altmeyer
Assistant to FALK

MARGARET C. KLEW
Liaison with SSB
Field staff

1934 - 1935
COMMITTEE ON ECONOMIC SECURITY
Health Insurance staff:
E. Sydenstricker, Dir.
I.S. FALK, Research Assoc.
M. M. Davis, consultant
Nathan Sinai
George St. J. Perrott

1935 - 1935
INTERDEPARTMENTAL COM.
TO COORDINATE HEALTH
AND WELFARE ACTIVITIES
Members included:
A. J. Altmeyer, SSB
Thomas Parran, M.D., PHS
Aubrey Williams, WPA
G. St. J. Perrott, Sec.

INTERNATIONAL LABOR ORGANIZATION PRESIDENT TRUMAN

LABOR ORGANIZATION

Permanent Inter-American Committee on Social Security
A. J. Altmeyer, U. S. Delegate
George St. J. Perrott, Substitute
I. S. FALK, U. S. Expert, I.L. Conference
Wilbur J. Cohen, Technical Assistant
Ida C. Merriam, SSA Liaison

A. J. ALTMAYER
Commissioner for
Social Security

ISIDORE SYDNEY FALK

Director, Division of
Research and Statistics
Social Security
Administration

IDA C. MERRIAM
Liaison with I.L.O.
and Labor unions

AFL CIO PAC

COMMITTEE ON THE COSTS OF MEDICAL CARE 1928 - 1932

MICHAEL M. DAVIS
Member of Executive Committee

Leon H. Keyserling
Economic Adviser to
President

MICHAEL M. DAVIS
LOBBYIST, ORGANIZER
CONSULTANT TO FALK

BARRETT S. SANDERS
Health and Disability
Studies Chief, SSA

1944 AMERICAN PUBLIC HEALTH ASSOCIATION

Report on a National
Medical Care Program
submitted to APHA
Committee on Administrative
Practice by APHA
SUBCOMMITTEE ON MEDICAL
CARE, October 4, 1944.
Subcommittee of 11
members included:

J. W. Mountin, M.D., PHS
I. S. FALK, Ph.D., SSB
G. St. J. Perrott, PHS
E. F. Daily, M. D., CH
M. Sinai, Univ. of Mich.

...office and telephone in Senator Murray's name.

COMMUNIST AND COMMUNIST - FRONT ORGANIZATIONS WITH WHICH LOBBIES AND MEMBERS OF CONGRESS COLLABORATE

INTERNATIONAL WORKERS ORDER
This group claims "The Communists are concerned with creating a revolution" and that the IWO "is an organization that allows Communist leadership to drive its roots into the uncharted depths of the American working masses." The IWO is to establish "Working Class Rule in the place of the existing class rule."

COMMITTEE FOR THE NATION'S HEALTH
aided IWO in preparing filmscript "Medical Insurance-- a Pathway to Health" supporting S. 1320 (1947) Senator James E. Murray, July 4, '44 addressed an IWO rally, commending the group for its support. Senator Robert F. Wagner wrote IWO thanking it for support of S. 1161. Congressman Marcantonio was chief speaker at IWO convention, July 2, '44. Ernst P. Boas, M.D., chrmn. Physicians Forum is, or has been, member of 8 Communist-front organizations. Notorious Communist sympathizers invited to Ewing's National Health Assembly included: Julius Emspak, United Electrical Workers Union, Bernhard J. Stern, and Ernst P. Boas, MD.

LEGEND

— DIRECT LINES OF CONTROL: on staff of, or consultant to, I. S. FALK
- - - INDIRECT LINES OF CONTROL: by I.S. FALK and M. M. DAVIS

Field staff

I S I D O R E SYDNEY F A L K
Director, Division of Research and Statistics Social Security Administration

Studies Chief, SSA

1934 - 1935
COMMITTEE ON ECONOMIC SECURITY
Health Insurance staff: E. Sydenstricker, Dir. I.S.FALK, Research Assoc. M. M. Davis, consultant Nathan Sinai George St. J. Perrott

1935 - 1939
INTERDEPARTMENTAL COM. TO COORDINATE HEALTH AND WELFARE ACTIVITIES
Members included: A. J. Altmeyer, S S B Thomas Parran, M.D., PHS Aubrey Williams, W P A G. St. J. Perrott, Sec. TECHNICAL COMMITTEE ON MEDICAL CARE Martha M. Eliot, M.D., CB I. S. F A L K, S S B Joseph W. Mountin, PHS George St. J. Perrott, Clifford E. Waller, PHS

1936
AMERICAN ASSOCIATION FOR LABOR LEGISLATION
I. S. F A L K elected to Executive Committee

IDA C. MERRIAM
Liaison with I.L.O. and Labor unions

AFL C I O PAC

COMMITTEE ON THE COSTS OF MEDICAL CARE
1928 - 1932

M I C H A E L M. D A V I S
Member of Executive Committee

I.S.FALK, Assoc. Dir. of Study

Research staff included Nathan Sinai, now at Ann Arbor Martha D. Ring, now in P H S Margaret C. Klem, now with FALK Louis S. Reed, now in P H S Mary Dublin(Keyserling)now CNH

1944
AMERICAN PUBLIC HEALTH ASSOCIATION

Report on a National Medical Care Program submitted to APHA Committee on Administrative Practice by APHA SUBCOMMITTEE ON MEDICAL CARE, October 4, 1944. Subcommittee of 11 members included:

J. W. Mountin, M.D., PHS I. S. FALK, Ph.D., SSB G. St. J. Perrott, PHS E. F. Daily, M. D., CB N. Sinai, Univ. of Mich.

1945 - 1946
ILO SPECIAL COMMITTEE ON SEAFARERS' INSURANCE

FALK appointed by U. S. as expert; represented the U.S. at London Conference 16-27 July, 1945 FALK proposals presented, Seattle Conference

June, 1946

...Committee for subversive activities and Communist-front connections.

COMMITTEE ON RESEARCH IN MEDICAL ECONOMICS

Michael M. DAVIS, Ph.D., Chrmn. George Soule Walton H. Hamilton

THE PHYSICIANS FORUM, INC.

Ernst P. BOAS, M.D., Chairman Channing Frothingham, M.D. Sidney Greenberg, M.D. Allan M. Butler, M.D. Franz Goldmann, M.D. Milton I. Roemer, M.D., U.S.P.H.S.

COMMITTEE OF PHYSICIANS FOR THE IMPROVEMENT OF MEDICAL CARE

Channing Frothingham, M.D. Ernst P. BOAS, M.D. John P. Peters, M.D. Allan M. Butler, M.D. Fred D. Mott, M.D.

EXECUTIVE BRANCH OF THE GOVERNMENT

FEDERAL SECURITY AGENCY

Oscar R. Ewing, Administrator J. Donald Kingsley, Ass't Admin. Leonard A. Schuele, M.D., Surg.Gen. Joseph W. Mountin, M.D. Milton I. Roemer, M.D. (Councillor in Physicians Forum lobby) Burnet M. Davis, M.D., son of Michael M. Davis, lobbyist George St. J. Perrott, M.A.

NATIONAL HEALTH ASSEMBLY, INC.

Members of Executive Committee: Mrs. Albert D. (Mary) Lasker Mrs. David (Adele Rosenwald) Levy Barry Bingham Arna M. Rosenberg These four are also members of the COMMITTEE FOR THE NATION'S HEALTH, INC

FINANCIAL BACKERS OF CHIEF LOBBIES FOR NATIONALIZATION OF MEDICINE

COMMITTEE FOR NATION'S HEALTH
backed by Mr. and Mrs. Albert D. Lasker, Lessing Rosenwald, William Rosenwald, Marshall Field, and CIO Mr. and Mrs. Gardner Cowles

COMMITTEE ON RESEARCH IN MEDICAL ECONOMICS backed by Rosenwald Fund, Rockefeller Foundation, and Albert and Mary Lasker Foundation.

EWING'S NATIONAL HEALTH ASSEMBLY, INC.,
backed by Adele R(osenwald) Levy Fund and Mary and Albert Lasker Foundation

Compiled by MARJORIE SHEARON, Ph. D. Revised, June 1, 1949
9127 Jones Mill Road, Chevy Chase 15, Maryland

This chart and accompanying Social Security testimony: 25c for both; 50 each \$10; 100 each \$18; 500 each \$85; 1000 each \$150; 2000 each \$200

1949—continued

Board of directors:

C. Frothingham, M.D.
 Barry Bingham
 Ernst P. Boas, M.D.
 Wayne C. Taylor
 M. L. Cooke
 Paul B. Cornely, M.D.
 John J. Corson
 M. M. Davis
 Albert W. Dent
 Gen. William J. Donovan
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 Harry Goldblatt, M.D.
 John Gunther
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 Mrs. A. D. Lasker
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Newbold Morris
 Dorothy Newman
 Eric Peterson
 Lillian Poses
 Emil Rieve
 F. D. Roosevelt, Jr.
 Anna M. Rosenberg
 V. H. Rothschild 2d
 Samuel I. Rosenman
 Theodore Sanders, M.D.
 Max Seham, M.D.
 Robert E. Sherwood
 Robert F. Wagner, Jr.
 R. M. Walls, D.D.S.
 Hubert Will
 Matthew Woll

Executive director: Chat Paterson

1950

Chairman: Same

Honorary vice chairmen:

William Green
 F. J. McConnell
 Philip Murray
 Bishop G. Bromley Oxnam

Mrs. F. D. Roosevelt
 Gerard Swope
 Walter Wanger

Treasurer: John J. Corson

Secretary V. H. Rothschild 2d

Chairman executive committee: M. M. Davis

Board of directors:

C. Frothingham, M.D.
 James A. Brownlow
 W. C. Taylor
 M. L. Cooke
 Paul B. Cornely, M.D.
 John J. Corson
 N. H. Cruikshank
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 Albert W. Dent
 John Edelman
 Abe Fortas
 Arthur Goldberg
 Harry Greenblatt, M.D.
 John Gunther
 M. D. Keyserling
 John A. Lapp

Joseph Meyer, M.D.
 Newbold Morris
 Dorothy Norman
 Eric Peterson
 Jacob Potofsky
 Emil Rieve
 Samuel I. Rosenman
 V. H. Rothschild 2d
 Theodore M. Sanders
 Max Seham, M.D.
 Robert E. Sherwood
 Robert F. Wagner, Jr.
 R. M. Walls, D.D.S.
 Lester Washburn
 Hubert Will
 Matthew Woll

Executive director: Frederick E. Robin

1952

Chairman: Same

Honorary vice chairmen:

William Green
 F. J. McConnell
 Philip Murray
 Bishop G. Bromley Oxnam
 Mrs. F. D. Roosevelt
 Gerard Swope
 Walter Wanger

M. L. Cooke
 Paul B. Cornely, M.D.
 John J. Corson
 M. M. Davis
 Albert W. Dent
 John Edelman
 Frank F. Furstenberg
 Arthur Goldberg
 Harry Goldblatt, M.D.
 John Gunther
 Walton Hamilton
 Henry Kaiser
 Mary D. Keyserling
 John A. Lapp
 Joseph Meyer, M.D.
 Newbold Morris

Treasurer: M. L. Cooke

Secretary: Walton Hamilton

Chairman Executive Committee: M. M. Davis

Board of directors:

C. Frothingham, M.D.
 Viola W. Bernard, M.D.
 James A. Brownlow

1953—continued

Board of directors—Continued

Dorothy Norman
 James G. Patton
 Eric Peterson
 Jacob Potofsky
 Harry Read
 Emil Rieve
 Samuel I. Rosenman
 Theodore M. Sanders
 Max Scham, M.D.

Robert E. Sherwood
 Boris Shiskin
 W. C. Taylor
 Robert F. Wagner
 R. M. Walls, D.D.S.
 Lester Washburn
 Hubert Will
 Wilson M. Wing, M.D.

[Committee print]

INTERLOCKING SUBVERSION IN GOVERNMENT DEPARTMENTS

Report of the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws to the Committee on the Judiciary, U.S. Senate, 83d Congress, 1st session, on interlocking subversion in Government departments, July 30, 1953

INTRODUCTION

On April 10, 1953, the Senate Internal Security Subcommittee of the Senate Judiciary Committee commenced a series of hearings on interlocking subversion in Government.

Chairman William E. Jenner (Republican, Indiana) opened the hearings with the following statement:

"The Senate Internal Security Subcommittee, under the authority conferred on it by the United States Senate to investigate 'the extent, nature, and effects of subversive activities in the United States,' during the past 3 years has been uncovering evidence of extensive Communist penetration in Government.

"The subcommittee has been impressed by the extent to which the Communists it has exposed were able to move, often with great facility, from one Government agency to another, spinning their web of intrigue and drawing with them in positions of power and influence their confederates and auxiliaries. The purpose of this series of hearings will be to determine the existence of and to expose the design by which Communist agents were able to infiltrate the executive and legislative branches of government.

"The subcommittee expects that these hearings will aid it in recommending legislation to prevent further infiltration, and to discover methods and individuals that the Communist International organization may still be employing today.

"The subcommittee undertakes this investigation primarily with the view to preventing further infiltration and not to hold up to the pillory past misdeeds. But the past is prologue. The subcommittee hopes that all persons with knowledge of this penetration will assist the subcommittee in its purpose" (p. 1).

The subcommittee had several purposes foremost in mind in conducting these hearings. It noted that literally scores of agents had penetrated the United States Government, and in its report on the Institute of Pacific Relations showed how some of these were responsible for extensive perversion of policy that consequently caused the loss of thousands of American lives and injury to the interests of the United States. It noted that except in a few cases, all of these agents, despite the record of their subversion, had escaped punishment and some, in positions of influence, continued to flourish even after their exposure.

THE PAST IS PROLOGUE

The subcommittee has made public for the first time a section of a secret memorandum on espionage in our Government, one paragraph of which had been quoted by Vice President Richard Nixon, then a Congressman, in a 1950 speech. He made known at that time that the document, dated November 25, 1945, was prepared by an intelligence agency of this Government, and was circulated among several key Government agencies and made available to the President of the United States.¹

¹ Six years earlier, another memorandum was prepared by A. A. Berle, Jr., then Assistant Secretary of State. He wrote the memorandum when Whittaker Chambers informed him of the makeup of the Communist American underground. This bore the heading "Underground Espionage Agent" and contained 27 names (p. 329). Of these 4, appeared again in the Nixon memorandum.

The subcommittee obtained that memorandum. It read in part:

"This case (of Nathan Gregory Silvermaster) first came to the attention of the Bureau on November 8, 1945, when Elizabeth Bentley, an official of United States Service and Shipping, Inc., New York City, came into the New York office of the Bureau and stated that for the past 11 years she had been actively engaged in Communist activity and Soviet espionage.

"She stated that prior to 1938 she had been an official in various capacities of the Communist Party in New York City. In 1938 she began making contacts with Jacob Golos, the head of World Tourists, Inc., which organization was being used as a cover for the Soviet espionage activity. Golos later organized United States Service and Shipping, Inc., for the same purpose in 1941.

"Under Golos' direction and until his death in 1943, Bentley stated that she was used as a courier and liaison between individuals engaged in espionage for the Soviet and Golos.

"After Golos' death in November 1943, she continued to act as such a courier and liaison under the direction of Earl Browder.

"During the latter part of 1944 at the insistence of Soviet representatives in the United States and with Browder's consent, the various espionage groups with which she had been maintaining liaison were turned over directly to the Soviet agents, only one of whom she has been able to identify.

"This Soviet representative who has used the cover name 'Al' has been identified as Anatole Gromov, First Secretary of the Soviet Embassy, Washington, D.C., who since his arrival in the United States on September 15, 1944, has been suspected by this Bureau to be the successor in NKVD activities of Vassili Zubilin, former Second Secretary of the Soviet Embassy who was recalled to the Soviet Union in July 1944. Zubilin was reported head of all NKVD activity in North America.

"Bentley has stated that the espionage agents with whom she had been in contact under Golos' and Browder's direction had been working for the NKVD.

"The espionage groups with which Bentley worked were primarily employees of the United States Government stationed in Washington, D.C. The head of the most important group originally run by Golos was N. Gregory Silvermaster, at one time an employee of the Department of Labor and now connected with the United States Treasury Department. Another member of this group who resides with Silvermaster is William L. Miller, a major of the United States Army Air Forces stationed at the Pentagon Building who has been responsible for the obtaining and photographing of classified information regarding United States Government war plans and also reports of the Federal Bureau of Investigation, copies of which had been furnished to G-2 of the Army at the Pentagon Building. Other members of this group included A. George Silverman, a civilian employee of the War Department; Harry Dexter White, Assistant Secretary of the Treasury in charge of monetary research and foreign funds control; William Taylor, also an employee of the Treasury Department; Leuehin Currie, Administrative Assistant to the President; and other lesser figures.

"The head of the next most important group of Soviet espionage agents with whom Bentley has maintained liaison was Victor Perls of the War Production Board. Members of this group were introduced to Bentley early in 1944 at the apartment of John Abt, general counsel for the Amalgamated Clothing Workers of America, CIO, in New York City. The individuals in this group include Charles Kramer, an investigator for Senator Kilgore's committee in the United States Senate; Henry Magdoff of the War Production Board; Edward Fitzgerald, formerly of the Treasury Department and then with the War Production Board; Donald Wheeler of the Office of Strategic Services; Mary Price, formerly employed by Walter Lippmann in Washington, D.C., and now working for the United Office and Professional Workers of America, CIO, in New York City; Maj. Duncan Lee of William Donovan's law firm in New York City who is also in the Office of Strategic Services. There were various other minor Government employees in this group including Sol Leshinsky and George Peruzich who were employees of the United Nations Relief and Rehabilitation Administration. Bentley advised that members of this group had told her that Hiss of the State Department had taken Harold Glasser of the Treasury Department and two or three others and had turned them over to direct control by the Soviet representatives in this country. In this regard, attention is directed to Whittaker Chambers' statements regarding Alger Hiss and to the statement by Guzenko regarding an assistant to the Secretary of State who was a Soviet agent.

"Less important individuals with whom Bentley had contact and who were apparently not in a well-knit organizational group were Robert Talbot Miller III,

of the Department of State; Maurice Halperin of the Office of Strategic Services; Julius J. Joseph of the Office of Strategic Services; Helen Tenney of the Office of Strategic Services; Willard Park of the Office of the Coordinator of Inter-American Affairs; Michael Greenberg of Foreign Economic Administration; William Remington, formerly of the War Production Board and subsequently inducted into the Navy; Bernard Redmont, also with the Coordinator of Inter-American Affairs.

"The Bentley woman was explicit in that all of the individuals actively engaged in espionage for the Soviets named by her were furnishing information from the files to which they had access in Washington and many of them prior to Golos' death paid their Communist Party dues to Golos through her.

"To date over 80 individuals have been named by Miss Bentley as being connected with the Soviet espionage organization either in Washington or in New York. Of this number 37 have been identified as employees of the United States Government in Washington, D.C. Bentley has stated that each of these individuals probably obtained information from others either casually or through actual recruiting and with whom Bentley herself did not come in contact" (pp. 71-73).²

The memorandum also said:

"Igor Gouzenko, former code clerk in the office of Col. Nikolai Zabolin, Soviet military attaché, Ottawa, Canada, when interviewed by a representative of this Bureau and officers of the Royal Canadian Mounted Police, stated that he had been informed by Lieutenant Kulukov in the office of the Soviet military attaché that the Soviets had an agent in the United States in May 1945 who was an assistant to the then Secretary of State, Edward R. Stettinius" (p. 71).³

TWO SOVIET RINGS EXPOSED

In addition to identifying the more than 80 particular Communist agents, 37 of whom were in the United States Government, Elizabeth Bentley testified before our subcommittee on May 29, 1952, that to her knowledge there were 4 Soviet espionage rings operating within our Government and that only 2 of these have been exposed.

"Miss BENTLEY. First, on the point as to whether or not there are Communists still in the Government, I agree with Mr. Chambers⁴ on that.

"Mr. MORRIS. In what respect?

"Miss BENTLEY. I agree with him that quite obviously there still are Communists in the Government, partially because it is an obvious thing and partially because I was told by one of my Soviet contacts about the existence of other groups in the Government.

"Mr. MORRIS. In other words, you knew there were espionage rings other than your own in the Government and you know they haven't been exposed.

"Miss BENTLEY. I know they haven't been exposed. I was not told who they are, but since they were not exposed, obviously they are still operating.

"Mr. MORRIS. You knew of two individual rings working under you?

"Miss BENTLEY. Two individual rings plus a collection of individuals I dealt with individually.

"Mr. MORRIS. One was the Silvermaster ring?

"Miss BENTLEY. That is correct.

"Mr. MORRIS. And the other?

"Miss BENTLEY. We called it the Perlo group.

"Mr. MORRIS. You had some indirect knowledge that Alger Hiss was operating in the Communist framework, did you not?

"Miss BENTLEY. Yes. One of the members of the Perlo group had at one time been taken out of that group by Mr. Hiss and turned over to the Russians, and I discovered that during the course of my talking to one member of the group.

"Mr. MORRIS. In other words, there was a still a third group that you knew of that existed at that time."

* * * * *

² All page references are to the hearings on Interlocking Subversion in Government Departments unless otherwise indicated.

³ This is the paragraph quoted by Mr. Nixon in his 1950 speech.

⁴ Whitaker Chambers, in concurrent testimony (IPR, p. 4776).

THE EXTENT OF THE PENETRATION

According to the evidence in our records, those involved in the secret Communist underground included an executive assistant to the President of the United States; an Assistant Secretary of the Treasury; a United States Treasury attaché in China; the Director of the Office of Special Political Affairs for the State Department; the Secretary of the International Monetary Fund; the head of the Latin-American Division of the Office of Strategic Services; a member of the National Labor Relations Board; secretary of the National Labor Relations Board; chief counsel, Senate Subcommittee on Civil Liberties; chief, Statistical Analysis Branch, War Production Board; Treasury Department representative and adviser in Financial Control Division of the North African Economic Board in UNRRA and at the meeting of the Council of Foreign Ministers in Moscow; director, National Research Project of the Works Progress Administration.

THE FIRST PENETRATION

The first organized subversion encountered by the subcommittee, in point of time, was that accomplished by the Harold Ware underground cell of the Communist Party in Washington, D.C., in the early 1930's. With the recognition that only someone who has been among the ranks of the Communists can authoritatively testify as to who also were in the ranks, the subcommittee took testimony from two members of this cell. They were Whittaker Chambers and Nathaniel Weyl.⁵ In setting forth the members of the Ware cell, we are listing the positions which they subsequently achieved in government or in public life and how they testified when they were subpoenaed by the subcommittee.

Nathan Witt was attorney for Agricultural Adjustment Administration; Assistant General Counsel, National Labor Relations Board; the secretary, National Labor Relations Board. (Invoked his constitutional privilege of refusing to answer on the ground that he could not be compelled to bear witness against himself.)

Lee Pressman, Assistant General Counsel, Agriculture Adjustment Administration; General Counsel, Works Progress Administration and Resettlement Administration; general counsel, CIO. (Admitted Communist membership before the House Un-American Activities Committee.)

John J. Abt, attorney for Agricultural Adjustment Administration; Assistant General Counsel, Works Progress Administration; special counsel, Securities and Exchange Commission; chief counsel, LaFollette Civil Liberties Committee; special assistant to the Attorney General. (Invoked privilege.)

Charles Kramer, Agricultural Adjustment Administration; National Youth Administration, staff member, LaFollette Civil Liberties Committee; National Labor Relations Board; staff member, Senate Committee on War Mobilization; staff member, Senate Subcommittee on Wartime Health and Education. (Invoked privilege.)

Henry H. Collins, Jr., National Recovery Administration; Soil Conservation Service; Labor Department; staff member, House Committee on Interstate Migration; Senate Committee on Small Business; Senate Subcommittee on Technological Mobilization; entered military Government service as captain and retired as major; State Department, displaced persons program; Inter-governmental Committee on Refugees. (Invoked privilege.)

Victor Perlo, National Recovery Administration; Home Owners' Loan Corporation; Commerce Department, economic analyst; Office of Price Administration, Chief, Statistical Analysis Branch; War Production Board on problems of military aircraft production; Treasury Department Division of Monetary Research. (Invoked privilege.)

Harold Ware, consultant to the Agriculture Department. (Deceased.)

Alger Hiss, assistant to the General Counsel of the Agricultural Adjustment Administration; counsel to the Senate Committee Investigating the Munitions Industry; staff of the Solicitor General of the United States; special assistant to the Director, Office of Far Eastern Affairs; Director of Office of Special

⁵ It also took the executive session testimony of another ex-Communist who was part of a less important Government Communist ring that operated at that time and gave considerable corroboration to the Chambers and Weyl testimony.

Political Affairs, Department of State; Secretary General, United Nations Conference. (Denied Communist Party membership before HUAC.)

Donald Hiss, attorney, Public Works Administration; Assistant Solicitor, Department of Labor; assistant to the legal adviser in the Department of State. (Denied Communist Party membership.)

Set forth herein are some of the individual cases reviewed by the subcommittee.

SOME CASE HISTORIES

Harold Glasser

The Nixon memorandum made reference to Harold Glasser in 1945. It read: "Bentley advised that members of this group had told her that Hiss, of the State Department, had taken Harold Glasser, of the Treasury Department, and 2 or 3 others and had turned them over to direct control by the Soviet representatives in this country" (p. 72).

When Miss Bentley appeared before the subcommittee in 1951 and 1952, she testified in greater detail about Glasser.

"MISS BENTLEY. In 1944 I took a group of people I called the Perlo group. . . . One of the members of this group was a Mr. Harold Glasser in the Treasury. In the process of checking everyone's past, I found that Mr. Glasser had, at one time, been pulled out of that particular group and had been turned over to a person whom both Mr. Perlo and Charles Kramer refused to tell me who it was, except that he was working for the Russians, and later they broke down and told me it was Alger Hiss" (I. P. R. pp. 441-442).

Whittaker Chambers has also testified under oath that he had met Harold Glasser.

In his book, "Witness," published in 1952, Chambers writes:

Harry Dexter White was the least productive of the four original sources. Through George Silverman, he turned over material regularly, but not in great quantity. Bykov fumed, but there was little that he could do about it. As a fellow traveler, White was not subject to discipline. Bykov suspected, of course, that White was holding back material. "Du musst ihn kontrollieren," said Bykov, "you must control him"—in the sense in which police "control" passports, by inspecting them.

I went to J. Peters, who was in Washington constantly in 1937, and whom I also saw regularly in New York. I explained the problem to him and asked for a Communist in the Treasury Department who could "control" White.

only would it have been prejudicial to the national interest to have released them then to an unauthorized person, but now, 10 years later, it would still be prejudicial to the national interest to release those documents?

"Mr. WELLES. In my judgment that is entirely correct, sir" (pp. 1390-1391).

When these documents were delivered to Chambers, Alger Hiss and Harry Dexter White held relatively minor positions in the Government service. In the years that followed, as already noted, they gained entrance to the innermost command posts affecting American foreign policy.

Dr. Edna Fluegel, a former State Department foreign affairs specialist, was asked about Hiss' ultimate access to secret documents when she appeared before the subcommittee in the IPR hearings.

"Mr. MORRIS. What documents or what material would be available to him [Hiss] in that role?

"Miss FLUEGEL. Everything that existed.

"Mr. MORRIS. Everything in the entire Department of the highest classification?

"Miss FLUEGEL. Yes. At that particular time, you see, postwar involved everything, economics, social, political.

"Senator WATKINS. Do you know that of your own personal knowledge?

"Miss FLUEGEL. Yes. You see, everything, every single decision—at that time, they had this top Secretary's Committee which was the final place where policy decisions were made, and it really operated then. So that every paper on every subject requiring top policy decision came to it, and Mr. Hiss was ex officio a member of that committee.

"Senator WATKINS. And all that material was then available to him as it was to the members of the committee?

"Miss FLUEGEL. That is right" (p. 2838).

²⁶ Hearings regarding Communist espionage in the United States Government, pt. II, by House Un-American Activities Committee, 80th Cong., 2d sess.

²⁷ Institute of Pacific Relations hearings, pt. VIII, by Senate Internal Security Subcommittee, 82d Cong.

THE DESIGN

The design of Communist penetration testified to in past years by Elizabeth Bentley, Whittaker Chambers, Louis Budenz, Nathaniel Weyl, and others, was clarified and substantiated by the documents adduced in the Senate Internal Security Subcommittee's hearings this year. All of the Government employees exposed by these witnesses were threads in this design.

When the principal concern of Government was economic recovery, they were in the Agricultural Adjustment Administration, the Works Progress Administration, the National Recovery Administration, and new sections of old departments. During the war, they joined such wartime agencies as the Board of Economic Warfare, the Federal Economic Administration, the Office of Strategic Services, and the like. Toward the end of the war and in the postwar period, they were operating in the foreign policy field. At the end of the war, they were gravitating toward the international agencies.

They colonized key committees of Congress (p. 340-345). They helped write laws, conduct congressional hearings, and write congressional reports. (See testimony of Harry Collins, pp. 1 ff.; Charles Kramer, pp. 327 ff.; Charles Flato, pp. 487 ff.; Frederick Palmer Weber, pp. 177 ff.)

They advised Cabinet members, wrote speeches for them, and represented them in intergovernmental conferences. (See testimony of Harry Magdoff, pp. 206 ff.; Edward J. Fitzgerald, pp. 241 ff.; Harold Glasser, pp. 53 ff.) They staffed interdepartmental committees which prepared basic American and world policy. (See IPR hearings, pp. 2823-2837.)

Perlo's duties and responsibilities at the Treasury included the following:

"To serve as an adviser and be responsible for recommending actions required in the following fields:

"(a) Aspects of domestic economy in relation to international financial affairs such as the supply of money and its speed of circulation, bank deposits, and lending activity, the volume of private savings and their absorption through domestic investments, production, and employment trends in industries with important potential export markets.

"(b) The effects on domestic economy of current international financial developments and the prospective effects of international financial proposals * * * (p. 402).

The man who wielded this power in the Government of the United States is now an open propagandist for the Soviet world conspiracy. His book, "American Imperialism," was brought out by International Publishers, which is the official Communist Party publishing house in the United States. The book was given the highest praise that communism bestows when the Daily People's World, west coast "mouthpiece" of the party, hailed it with these words: "Perlo brings Lenin on imperialism up to date" (p. 406).

Adler lived with Glasser when both were faculty members at the People's Junior College in Chicago. Adler was representative of the Treasury Department in China after March 1, 1944. He returned to duty in Washington October 5, 1949.²³

Adler was nominated by the Treasury in 1942 as the American representative on the American-British-Chinese Stabilization Fund. The function of this fund, presumably, was to save Nationalist China from the inflation that did so much to weaken it as it faced the Communist onslaught.

In this connection, the subcommittee calls attention to a note found among the papers produced by Whittaker Chambers which was written in Harry Dexter White's own hand:

"We have just agreed to purchase 50 million more ounces of silver from China. China will have left (almost all in London) about 100 million ounces of silver. Her dollar balances are almost gone."

When Mr. Nixon introduced this note on the floor of the House on January 26, 1950, he said:

"I discussed this excerpt with a man whose judgment I value in analyzing such documents, and he informed me that that information in the hands of individuals who desired to embarrass the Chinese Government would be almost invaluable."

²³ Hearings regarding communism in the U.S. Government before the House Committee on Un-American Activities (81st Cong., 2d sess., p. 1726).

THE NET OVER CAPITOL HILL

On February 8, 1947, the late Senator Robert M. La Follette, of Wisconsin, wrote an article for Collier's magazine entitled, "Turn the Light on Communism." Collier's introduced the article with this statement:

"The former Senator from Wisconsin speaks as one of America's most noted liberals in outlining his program for fighting a serious menace."

On the basis of what he said in 1947, it had been the subcommittee's intention to ask Senator La Follette to appear before it. His regrettable death interfered with the subcommittee's plan. However, it is pertinent to examine his 1947 article in the light of what has happened since then. Here are some significant paragraphs from Senator La Follette's article:

"I know from firsthand experience that Communist sympathizers have infiltrated into committee staffs on Capitol Hill in Washington. Frequently they have been associated with desirable legislation and worthy objectives, but always ready to further their own cause at the expense of the legislation they were advocating. A few years ago, when I was chairman of the Senate Civil Liberties Committee, I was forced to take measures in an effort to stamp out influences within my own committee staff.

"During the late Congress, the staff of a subcommittee of the Senate Committee on Education and Labor was infiltrated by fellow travelers. The staff of the Pepper subcommittee on Wartime Health and Education was diligent in its efforts to take matters into its own hands, and probably did great harm to the cause of improved health in this country by its reckless activities. I was appointed a member of this subcommittee, but I resigned from it later—partially because of the pressure of other duties (the congressional reorganization bill was taking much of my time) and partially because I did not want to be associated with a program of a staff in whom I could not have complete confidence.

"Later, the staff released a report and recommendations on health legislation under highly irregular procedure that prompted severe criticism on the floor of the Senate. The report was a favorable recommendation on a highly controversial national health program. It was released with the implication that it had the approval of the sub and full committees.

"Similarly, the Kilgore subcommittee on War Mobilization (of the Military Affairs Committee) and the Murray Special Committee on Small Business had staffs that many Senators believed had been infiltrated by fellow travelers.

* * * * *

"One of the important ways in which fellow travelers on committee staffs have carried on their activities is through the illicit use of committee information. In general, committee staffs participate in executive sessions and have access to committee files, which frequently include private documents which the committee has obtained under subpoena or recommendation of the staff. Unscrupulous employees can give out this information to friends, as a private spying system against their enemies as an advance tipoff of committee thinking, or as a means of bringing pressure to bear where it might effect a desired course of action.

"On several occasions I have had the revealing experience of receiving prompt protests and advice from strange and remote sources the day after I had voiced anti-Communist sentiments or voted contrary to the prevailing Communist Party line in executive sessions that were wholly unreported in the press. Such reactions could not occur without an effective grapevine.

"Even more insidious is the practice of coloring the information that is disseminated so that local organizations, party-line newspapers, periodicals, and circular letters can incite and inspire any desired reaction by high-pressure propaganda techniques. This device is most effective under conditions where the legislation or parliamentary situation is highly complex.

* * * * *

"With regard to minimum wage and FEPC legislation, it is my personal conviction that the Communists and fellow travelers who lobbied on these bills preferred to get no bills at all. I learned after the completion of the Senate hearings on the minimum wage bill that hearing schedules had been rigged to the end that testimony from anti-Communist sources on the bill was not taken, or else received merely as a statement for the record rather than as testimony before the committee. Committee employees are well aware that testimony and information can be made to appear either important or unimportant depending on how it is released or scheduled.

* * * * *

"The difficulties of proving disloyalty charges are great, and the civil rights of employees must be protected from witch hunts. It is clear, however, that the Government has not made very serious efforts to investigate questionable employees. In 1945, when the civil service "suitability" investigations were at a peak, only about 1 person out of every 25 placements was checked. Only 74 persons out of several million placed were declared ineligible on grounds of disloyalty."

Nine of the witnesses who appeared before the subcommittee and invoked their privilege against self-incrimination had been attached to committees in one or both Houses of Congress. They are John Abt, Henry Collins, Charles Flato, Charles Kramer, Harry Magdoff, Margaret Bennett Porter, Herbert S. Schimmel, Alfred Van Tassel, Frederick Palmer Weber, and Allan Rosenberg, who invoked his privilege against incrimination before the HUAC, and Alger Hiss also served on Capitol Hill.

Abt was chief counsel to Senator La Follette's own subcommittee on Civil Liberties (p. 645).

Alger Hiss was a legal assistant to the Senate Committee Investigating the Munitions Industry.

Allan Rosenberg was the first man hired under Abt on this committee and followed him into the National Labor Relations Board, where he ultimately became senior attorney in the Litigation Division.

Flato was public relations officer of the La Follette committee. He was also attached to the House Committee on Interstate Migration (pp. 490, 491).

Schimmel was also on the staff of this committee (report of the subcommittee January 2, 1953, on Activities of United States Citizens Employed by the United Nations, p. 5).

Kramer was a field investigator for the La Follette committee, "working on the reports" and "preparing for hearings." He also had "final responsibility" for the reports of the Senate Subcommittee on Technical Mobilization and was attached to the staff of the Senate Subcommittee on Wartime Health and Education (pp. 339, 371, 366).

Magdoff was assigned by the then Secretary of Commerce, Henry A. Wallace, to serve as consultant with the Senate Special Committee To Study Problems of American Small Business (p. 316).

Van Tassel was on the staff of the same committee (report of this subcommittee January 2, 1953, on Activities of United States Citizens Employed by the United Nations, p. 6).

Collins was director of the Senate Small Business Committee and coordinator of field hearings for the House Committee on Interstate Migration (pp. 33, 50).

Weber was attached to the staffs of the House Committee on Interstate Migration and the Senate Subcommittee on Technical Mobilization (pp. 178-180).

Mrs. Porter was a member of the staff of the Senate Committee on Interstate Commerce (p. 736).

It is important to note that four of them, Abt, Hiss, Kramer, and Collins, were named by Whittaker Chambers and Nathaniel Weyl as members of the Ware cell, which was the general staff of the original Communist underground in Government. Miss Bentley also testified that Abt and Kramer were part of the Soviet espionage ring which she served in the 1940's.

It will be recalled that Senator La Follette named his own subcommittee, as well as three of the other bodies named above as among those congressional committees which had been infiltrated. It will also be recalled that he charged this infiltration had occurred through assignment of persons from executive agencies of the Government. Other charges by Senator La Follette included the accusations that a committee staff released a report on legislation "under highly irregular procedure," that they "carried on their activities through the illicit use of committee information and gave out this information to friends as a private spying system against their enemies or as a means of bringing pressure to bear where it might affect a desired course of action."

Senator BENNETT. Before we adjourn, Mr. Chairman, in fairness to Mrs. Shearon, she said earlier in her testimony that she had a lot of telegrams she wanted to offer for the record. I do not think she had the opportunity.

Mrs. SHEARON. Thank you very much. Actually, I would have liked to put in the 300 letters and telegrams I have received from all

over the country. But I suspected you might not like me to put in so many, so I have picked some of the best ones.

The CHAIRMAN. We can accept them as part of the record of the committee, but not accept them as part of the printed record.

Mrs. SHEARON. Can you put just a few in the record, as some of the authorizations for my testimony?

The CHAIRMAN. Are they authenticated?

Mrs. SHEARON. I picked out a small bunch.

The CHAIRMAN. We shall look them over.

The Chair would like to insert in the record at this point a letter he received from the Secretary of Health, Education, and Welfare, the Honorable Abraham Ribicoff.

(The letter is as follows:)

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, February 16, 1961.

HON. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I want you to know how much I appreciate your instructing Mrs. Springer to send me copies of the correspondence concerning Wilbur J. Cohen. I have read these letters with interest.

There is no question but that Wilbur Cohen is a controversial figure. He himself had told me this. Mr. Cohen has been in the forefront of the social security field since its inception. During these years he has made both enemies and friends. Both groups feel strongly about him.

There have been five loyalty determinations covering Wilbur Cohen, the last decision having been handed down by the International Organizations Employees Loyalty Board on March 4, 1955. All of these hearings have resulted in favorable decisions for Mr. Cohen, each concluding that there is no reasonable doubt as to his loyalty. As a matter of fact, the 1953 hearing granted Mr. Cohen the security clearance of secret.

During the first busy month of this administration, Mr. Cohen has been outstanding. His knowledge, ability, and dedication is of the highest. I have discussed him personally with Members of Congress and of the Cabinet who have known him for many years. All of them vouch for his ability, integrity, and sincerity. While there may be sincere differences among Members of Congress and the public concerning Mr. Cohen's philosophy, yet in the final analysis it will be I who make the policy decisions of this Department, subject of course to the policies established by the President and the laws passed by the Congress of the United States. Mr. Cohen fully understands that within this framework, he will carry out the decisions.

Again, thank you very much for the many courtesies you have extended to me. I am,

Sincerely,

ABRAHAM RIBICOFF, *Secretary.*

(The following letters and telegrams referred to by Dr. Shearon were subsequently inserted in the record at the direction of the Chair:)

WE, THE PEOPLE,
NATIONAL COALITION TO COMBAT COMMUNISM IN THE UNITED STATES,
Chicago, Ill., February 14, 1961.

MISS MARJORIE SHEARON,
Chevy Chase, Md.

DEAR MISS SHEARON: We have just had word from Drs. Pavey and Rumph that you need our authorization to represent us before the hearings on qualifying Prof. W. J. Cohen for his appointment. We are happy to have you do so on the basis that he has a reputation of affiliations with Communist fronts and is not, therefore, a fit American to serve in our Federal Government, even as Assistant Secretary of the HEW Department.

While you are at it, you might ask why the HEW Department has never cleared itself of charges by Herbert Philbrick and Dr. R. P. Oliver. These are, according to Philbrick, that the Department of Health, Education, and Welfare employs fully one-third of the top echelon of Communist conspirators

in this country. And, according to Dr. R. P. Oliver, University of Illinois, he estimates that 75 percent to 80 percent of the responsible officers in the HEW Department are Communist conspirators.

If these charges are true, then, of course, W. J. Cohen would be in his element. But, even so, it is best to cut down the proportion.

Why not inspire an investigation of the HEW Department because these are the characters that will be determining how our children are taught in the public schools after Federal aid for teachers' salaries goes through.

With kind regards and best wishes to you,

HARRY T. EVERINGHAM.

COORDINATED CIVIC COMMITTEES OF AMERICA,
Houston, Tex., February 26, 1961.

Re appointment of W. J. Cohen, Assistant Secretary of HEW.

DR. MARJORIE SHEARON,
Chevy Chase, Md.

DEAR DR. SHEARON: The undersigned committee has given full consideration to the W. J. Cohen appointment to the position of trust as Assistant Secretary of HEW. Our investigations indicate that you propose to submit factual testimony, on the practices and affairs of the appointee in question, before the Senate Finance Committee. We urge that you do so, and request you to register the opposition of the full body of Coordinated Civic Committees of America to this irregular and dangerous appointment.

Yours sincerely,

B. EDWARD BURGESS,
Member, National Affairs Committee, Coordinated Civic Committees.

KINSTON, N.C.

The SHEARON LEGISLATIVE SERVICE,
Chevy Chase, Md.

MY DEAR DR. SHEARON: I am alarmed at the number of people with subversive records who are being appointed to Government position. For more than 20 years I have watched numbers of appointments confirmed because there was no protest from the people. Please present my protest to the committee when Mr. Cohen's name is presented. I will join you in presenting the record you have given us in your "Challenge to Socialism."

STELLA K. BARBEE.

FLINT, MICH., *February 21, 1961.*

Miss MARJORIE SHEARON,
Shearon Legislative Service, 8801 Jones Mill Road,
Chevy Chase, Md.:

Your exposure of Wilbur Cohen's past record with subversive connections and associations is a great patriotic service and should receive support by all right thinking and properly motivated Americans. Count me a loyal supporter.

Sincerely,

GEORGE V. CONOVER, M.D.

OKLAHOMA CITY, OKLA., *February 11, 1961.*

DR. MARJORIE SHEARON,
Chevy Chase, Md.:

This is to designate you to testify before the Senate Finance Committee on behalf of 550 members of the Oklahoma County Medical Society regarding our opinion relative to the lack of qualifications of Prof. Wilbur J. Cohen for his proposed appointment to the Department of HEW.

RICHARD CARPENTER, M.D.,
President, Oklahoma County Medical Society.

KLAMATH FALLS, OREG., *February 15, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

I urge you to appear before the Senate Finance Committee to protest the appointment of Wilbur J. Cohen as Assistant Secretary of Health, Education, and Welfare. I have already asked Senator Byrd to invite you to appear. Cohen's long record of dishonesty and loyalty to Socialist, Communist causes should be exposed and proved to the Senate Finance Committee.

WILLIAM G. HOLFORD, Jr.,
Klamath Falls, Oreg.

ALVIN, TEX., *February 14, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

Please present your facts on Wilbur Cohen, the Assistant Secretary of Health, Education, and Welfare Department appointee, to Senator Byrd. The American people cannot stand a man such as this in our Government. American patriots will support you in this fight to stop this appointment. Please do not let us down.

DONALD KING, *Liverpool, Tex.*

SANTA BARBARA, CALIF.

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

At meeting last night Santa Barbara County chapter of AAPS unanimously voted to oppose appointment of Wilbur J. Cohen as Assistant Secretary HBW. Urge you present your excellent documentation on this subject to appropriate Senate committee.

JOHN R. RYDELL, M.D.,
President.

GRANVILLE F. KNIGHT, M.D.,
Member of Council.

ROSWELL, N. MEX., *February 14, 1961.*

MARJORIE SHEARON,
Chevy Chase, Md.:

You and the Ohio Coalition of the Patriotic Organizations are to be commended for having more intestinal fortitude than the insurance industry and medical profession in protesting the appointment of Wilbur J. Cohen. Under Secretary, HBW. Please add my protest to yours in the appointment of this known Communist-fronter to such a position of trust. He is certainly not fit for the position and would appreciate your telling me how Anderson votes on this man and his record.

GEORGE S. RICHARDSON, M.D.

DALLAS, TEX., *February 22, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

Please add the name of the Board of the Dallas Federation of Women's Clubs to the list of those groups opposing the appointment of Wilbur J. Cohen as Assistant Secretary for Health, Education, and Welfare because of his past record of favoring Federal operation in these fields. We firmly believe such matters should be handled locally.

Mrs. GEORGE A. RIPLEY,
Chairman of Legislation.

DALLAS, TEX., *February 20, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

The 100 members of American Legion Post No. 581, who are Dallas businessmen, protest the appointment of Socialist Wilbur J. Cohen to be Assistant Secretary of the Department of Health, Education, and Welfare. In our opinion, this individual is not suitable for employment by the Federal Government. Please make our position known.

C. R. BIRBARI, *Commander.*

COLUMBUS, OHIO, *February 13, 1961.*

Editor MARJORIE SHEARON,
Chevy Chase, Md.:

The board of directors of the Central Ohio Academy of General Practice, a component chapter of the Ohio and American Academy of General Practice has unanimously and vehemently gone on record in opposition to the proposed appointment by President Kennedy of Wilbur J. Cohen at HEW Department Assistant Secretary. The board of directors also strongly urges you to represent us and gives you the authority to voice our united protest when consideration of the appointment of Wilbur J. Cohen is presented and discussed. Thank you.

WADE D. BOWER, M.D.,
President.
EARL D. McCALISTER, M.D.,
Secretary-Treasurer.

COLUMBUS, OHIO, *February 13, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

The Watch Washington Club of Columbus and Central Ohio, with a membership of 300 members and affiliates, object to the man Cohen the administration's choice for the position of Health, Education, and Welfare. His past record is so far to the left to speak mildly to represent the American people on either health or education or welfare.

Mrs. WARREN GRIFFITHS, *President.*

MINNEAPOLIS, MINN., *February 14, 1961.*

Mrs. MARJORIE SHEARON,
Chevy Chase, Md.:

As a mutual sickness and accident and hospital insurance company we are disturbed by the plan to add Government interference with medicine and insurance through increased Social Security taxes. For this reason we oppose the creation of a Department of Medical Care in the Health, Education, and Welfare branch of the Government, and the appointment of Mr. Wilbur Cohen as the Assistant Secretary for Legislative Matters to carry out the plans.

PAUL CLEMENT,
President, Minnesota Commercial Men's Association.

INDIANAPOLIS, IND., *February 13, 1961.*

MARJORIE SHEARON,
Chevy Chase, Md.

With the Senate Finance Committee will you include this telegram as our protection against approving Wilbur J. Cohen as a top official for the social security department? Since the days of the Wagner-Murray-Dingle bill, we have watched his maneuvering to work up appearance of grassroots call for what he wishes to promote. We doubt that some of his promotion associates have our country's best interests at heart. Seems determined to bring about socialized medicine, compulsory insurance, and a Socialist-type government, yet all the time denying it. Surely someone more loyal to human liberty, constitutional government, and individual enterprise can be found for the appointment under consideration.

THE FORTY-NINERS.

HOUSTON, TEX., *February 10, 1961.*

Mrs. MARJORIE SHEARON,
Chevy Chase, Md.

We desire to have you represent us at the hearing before the Senate Finance Committee in regard to the qualifications of Wilbur J. Cohen for the post of Assistant Secretary of HEW in charge of legislative matters.

Mrs. E. F. BROCKMAN, *Citizens for Freedom.*

SUMMIT, MISS.

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

So glad you will testify against Cohen. Individuals for Freedom strongly protest his appointment.

Regards,

MARY D. CAIN, *National Chairman.*

COLUMBUS, OHIO, *February 13, 1961.*

MARJORIE SHEARON,
Chevy Chase, Md.:

Represent these organizations in opposing appointment of Wilbur Cohen; Property Owners Association Tax Payers, Inc., and Ohio Educational Council.

EDMOND W. REESE.

FORT WORTH, TEX., *February 11, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

You are hereby designated as our representative to testify against Wilbur Cohen in hearing on his confirmation as Assistant Secretary of HEW. We consider his appointment highly questionable.

K. A. HART,
Leader, Chapter 85, John Birch Society.

FORT WORTH, TEX., *February 11, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

The Tarrant Texans for America, nonpartisan patriotic group of 300 to 400 Texans, request that you present to Senate Finance Committee Wilbur Cohen's lack of desirable qualifications.

MAL RUMPH, *Chairman.*

SANTA BARBARA, CALIF., *February 14, 1961.*

Dr. MARJORIE SHEARON,
Editor of Challenge to Socialism, Shearon Legislative Service,
Chevy Chase, Md.:

Chapter 93, John Birch Society, urge you testify before Senate Finance Committee against appointment of Wilbur J. Cohen as Assistant Secretary of Health, Education, and Welfare. We feel his past record makes him unsuitable for such a responsible position. Depending on you to stop confirmation of his appointment.

Mrs. B. G. WETHERBY.

OMAHA, NEBR., *February 13, 1961.*

MARJORIE SHEARON,
Chevy Chase, Md.:

The Congress of Freedom, Inc., opposes the appointment of Wilbur J. Cohen as Assistant Secretary of Health, Education, and Welfare, and authorizes you to represent it at the public hearing to be held in regard to this appointment.

GEO. J. THOMAS, *Executive Director.*

ATLANTA, GA., *February 14, 1961.*

Miss MARJORIE SHEARON,
Chevy Chase, Md.:

Please request committee to give very careful consideration to appointment Wilbur J. Cohen, Assistant in HEW. He has consistently promoted compulsory Government medical care and has been successful getting the board of directors

of the American Nurses Association to spread his propoganda for such bills as the Forand bill. He should not be appointed.

DANA HUBSON,
Chairman, Legislative Committee, Georgia State Nurses Association.

SPARTANBURG, S.C., *February 20, 1961.*

MARJORIE SHEARON,
Chevy Chase, Md.:

Will appreciate your testifying against Wilbur J. Cohen. I am opposed to Cohen holding any Federal office on grounds of his previous record.

CHARLES A. NEW.

KLAMATH FALLS, OREG., *February 15, 1961.*

Dr. MARJORIE SHEARON,
Chevy Chase, Md.:

Board of directors of Klamath County Chamber of Commerce has wired Senator Harry F. Byrd, chairman, Senate Finance Committee, urging thorough investigation of background of Wilbur J. Cohen before acting on his appointment as Assistant Secretary of Health, Education, and Welfare. Would respectfully ask you to appear before this committee with information we understand you have pertinent to this appointment.

GEORGE T. CALLISON,
Manager, Klamath County Chamber of Commerce.

SACRAMENTO, CALIF.

MARJORIE SHEARON,
Chevy Chase, Md.:

From information published relative to the proposed appointment of Wilbur J. Cohen to the post of Assistant Secretary of Health, Education, and Welfare in charge of legislative matters. I am urging your consideration, this request, on the part of 27,000 family physicians of the United States, members of the American Academy of General Practice. We urge you to bring full knowledge to the Senate Finance Committee to clarify the question of Mr. Cohen's qualifications. We urge you to present any information you may possess that might show subversive activities on the part of the candidate or stated doctrines that are foreign to our democratic government. Kindly keep us informed of these activities in Congress.

JOHN G. WALSH, M.D.,
President, American Academy of General Practice.

MINNEAPOLIS, MINN.

MARJORIE SHEARON,
Chevy Chase, Md.:

Paul Clement advised me of your opposition to proposed socialized medicine and appointment of Wilbur Cohen. We are dedicated to preservation of constitutional government and are opposed to all Socialist projects which will, if continued, destroy our representative form of government, and we are opposed to placing people who wish to socialize America in positions of power in our Government. We wish to support efforts that coincide with our above-outlined position.

WALTER H. WHEELER,
Chairman, First Minnesota Council, We The People.

The CHAIRMAN. We are adjourned until 10 a.m. tomorrow, executive session.

(Whereupon, at 5:50 p.m., the committee was adjourned.)

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